

EXHIBIT C

LOUISVILLE LEXINGTON LONDON FLORENCE CINCINNATI INDIANAPOLIS ORLANDO JACKSONVILLE TAMPA



KENTUCKIANA
— COURT REPORTERS —

CASE NO. 21-61491

IN RE: SQUIRRELS RESEARCH LABS, LLC, ET AL.

CONFIDENTIAL

DEPONENT:

DAVID STANFILL

DATE:

April 13, 2022



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1 UNITED STATES BANKRUPTCY COURT

2 NORTHERN DISTRICT OF OHIO

3 CASE NO. 21-61491

4 CHAPTER 11

5 JOINTLY ADMINISTERED

6 JUDGE RUSS KENDIG

7
8 IN RE:

9 SQUIRRELS RESEARCH LABS, LLC, ET

10 AL.,

11 Debtors

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18 CONFIDENTIAL

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23 DEPONENT: DAVID STANFILL

24 DATE: APRIL 13, 2022

25 REPORTER: TAYLOR VENEMAN

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(Appeared via Videoconference)

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[Will forward exhibits upon receipt]

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1 STIPULATION

2
3 The Rule 2004 examination of DAVID STANFILL was taken at
4 KENTUCKIANA COURT REPORTERS, LLC, 730 WEST MAIN STREET,
5 SUITE 101, LOUISVILLE, KENTUCKY 40202, via
6 videoconference in which all participants attended
7 remotely, on WEDNESDAY the 13th day of APRIL 2022 at
8 approximately 9:35 a.m.; said deposition was taken
9 pursuant to the OHIO Rules of Civil Procedure. The oath
10 in this matter was administered remotely pursuant to
11 7/31/2020 administrative actions, 2020-OHIO-3861.

12
13 It is agreed that TAYLOR VENEMAN, being a Notary Public
14 and Court Reporter for the State of OHIO, may swear the
15 witness and that the reading and signing of the
16 completed transcript by the witness is not waived.

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PROCEEDINGS

COURT REPORTER: Okay. We are on record. Will all parties, except for the witness, please state your appearance, how you're attending, and the location you're attending from?

MR. MERKLIN: Sure. This is Marc Merklin with the firm of Brouse McDowell. We're counsel for the debtors in the chapter 11 proceedings. And I am present in my office in Akron, Ohio.

MR. SISTO: Bryan Sisto here for Carl Forsell, the creditor, in the case. I am in my office in Louisville, Kentucky.

MR. SCHWIEG: Fred Schwieg. I'm the sub chapter five trustee. I'm in my office in Rocky River, Ohio.

COURT REPORTER: All right, thank you. Mr. Stanfill, will you please state your name for the record?

THE WITNESS: Yes. David Andrew Stanfill.

COURT REPORTER: Thank you. And then like we talked about off record, are all attorneys okay with stipulating he is who he says he is?

MR. SISTO: Yes, ma'am.

MR. MERKLIN: Yes.

COURT REPORTER: All right.

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1 MR. SCHWIEG: Yes.

2 COURT REPORTER: Thank you. Mr. Stanfill, will
3 you please raise your right hand? Do you solemnly
4 swear or affirm testimony you're about to give will
5 be the truth, the whole truth, and nothing but the
6 truth?

7 THE WITNESS: Yes.

8 COURT REPORTER: Thank you. Mr. Sisto, you may
9 begin.

10 DIRECT EXAMINATION

11 BY MR. SISTO:

12 Q I just wanted to mention briefly that
13 Mr. Forsell is also, I think, in kind of listen only
14 mode on the line but will not be participating in the
15 2004 claim. All right. Mr. Stanfill, my name is Bryan
16 Sisto. As you probably already know, I represent Carl
17 Forsell in the Squirrels Research Labs bankruptcy case.
18 You understand that?

19 A Yes.

20 Q And you are here today in your capacity as the
21 representative of the -- of the debtor, Squirrels
22 Research Labs. Is that right?

23 A That is correct.

24 Q Just -- just upfront, I think that it is -- it
25 might be tedious, because I think we'd rather use -- we

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1 like to use quicker language when we speak. But because
2 there is a Squirrels LLC we'll be talking about, as well
3 as Squirrels Research Labs, let's just use the full
4 names of both when we discuss them to keep the record
5 clear. Because if we say, "Squirrels," it could get
6 confusing. You know, or I guess you could say SQRL or -
7 - as long as it's clear that it's one or the other,
8 because -- and I need to remind myself this as much as
9 I'm asking you to remember it, too. Because obviously
10 if we just say, "Squirrels," that could be confusing.
11 Does that -- does that make sense?

12 A Yes. And if I accidentally forget that my
13 nomenclature will by default be that SQ refers to
14 Squirrels LLC and SQRL refers to Squirrels Research
15 Labs, but I will attempt to use the full names.

16 Q That's fine with me. I know I'm -- because
17 you put that on the record, that's fine with me. And --
18 and, you know, if I slip into just saying, "Squirrels,"
19 or something like that, you know, remind me as well so
20 that, you know, that goes in both directions. We just
21 want to keep the record clear, because it could actually
22 get a little confusing. Mr. Stanfill, where do you
23 live?

24 A I live in Tallmadge, Ohio.

25 Q And how old are you?

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1 A 36.

2 Q And when were you born?

3 A 1986.

4 Q So I know that you are the principal officer
5 at Squirrels Research Labs. What -- what's your actual
6 title at the company?

7 A At squirrel research labs, I was the president
8 and CEO.

9 Q Any other titles?

10 A No.

11 Q How -- were -- did you have those titles since
12 Squirrels Research Lab was formed?

13 A Yes.

14 Q And no changes in title at all during the life
15 of the company?

16 A No.

17 Q Are you an officer or an owner of any other
18 companies?

19 A Yes.

20 Q Could we run through any other businesses
21 where you're an officer or an owner?

22 MR. MERKLIN: Bryan, are you asking today?

23 MR. SISTO: I'm sorry? Yes. At -- at --
24 present. Yeah.

25 BY MR. SISTO:

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1 A Yes. As a -- an entrepreneur, I'm involved in
2 a good number of companies. I'm going to attempt to
3 list them, and I -- if I -- if I neglect to list
4 anything, it isn't intentional. I just haven't recalled
5 them all.

6 Q Let me -- let me put it this way, because I do
7 know that you're involved -- you know, you're an
8 entrepreneur. You're broadly involved. I assume that
9 the vast majority are computer, cryptocurrency, you
10 know, just tech related. I don't know the industry
11 terms, you know, as well as you do. But I mean, is
12 there anything that you're involved in that has just
13 zero involvement with this kind of world of things?

14 A I am involved in some real estate investment
15 and development.

16 Q If it -- if it's wholly separate from anything
17 to do with cryptocurrency, with computer hardware,
18 computer software, I -- we don't need to discuss those.
19 But I'd like to know anything you're involved in that is
20 -- that -- you know, but if it's a real estate company
21 that is -- that does -- you know, is leasing space to a
22 cryptocurrency company, I'd be interested in that. But
23 you know, I'm asking for --

24 A Sure.

25 Q -- anything that's involved with this, you

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1 know. It takes a little while to list. I appreciate
2 your time.

3 A Yeah. Let me do my best to give a exhaustive
4 list, to make it clear. I am -- I continue to be a
5 equity holder, despite circumstances in Squirrels
6 Research Labs LLC, as well as in the Midwest Data
7 Company LLC, both of which are co-administrated in the
8 bankruptcy case as debtors. I am a owner and have a
9 position as advisory CTO in Squirrels LLC. I am an
10 equity holder in -- actually, let me clarify. My
11 ownership in Squirrels LLC flows down from my actual
12 direct ownership in Scurry Holdings Group.

13 Q Can you spell scurry?

14 A Scurry. Yeah. S-C-U-R-R-Y, I think. Scurry
15 is a -- the group of Squirrels were Holdings Group.

16 Q Okay. Thank you.

17 A So I -- there are subsidiaries that flow down
18 from that, and primarily Squirrels LLC. I am an owner
19 in DAS Factory. DAS is all capital and factory is a
20 separate word. That is the top-level company of real
21 estate development involved in Bitcoin mining
22 facilities. If you want me to list subsidiaries, I can.
23 But for the moment, I'm just going to list the companies
24 I have direct ownership in.

25 Q That's fine. We can circle back if we need

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1 to. I appreciate the way you're -- you're answering it.

2 A Sure. I am an owner in D2A Enterprises, which
3 is a pure real estate holdings company. I am an owner
4 in Magni Holdings Group, which is a staffing company.

5 Q Can you spell that?

6 A M-A-G-N-I.

7 Q Thank you.

8 A I am an owner in Freedom Mining LLC, which is
9 my personal cryptocurrency mining company, for tax
10 purposes. I believe those are the primary entities.

11 COURT REPORTER: And Mr. Sisto, sorry to
12 interrupt. You're kind of muffled when you talk, on
13 my end at least. I don't -- maybe just -- if you
14 can try to just maybe speak up. I don't know if
15 that'll help or not.

16 MR. SISTO: I think it might be the position.
17 Is this any better? I just moved my mic.

18 COURT REPORTER: Yeah, that -- that's better.

19 MR. SISTO: Okay. Thank you for alerting me to
20 that. I apologize. I think my -- my mic was
21 covered up on my keyboard.

22 COURT REPORTER: Oh, okay. Yeah. That's --

23 MR. SISTO: That shows my level of tech
24 expertise here, so

25 COURT REPORTER: No, you're fine. That sounds

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1 a lot better. Thank you.

2 MR. SISTO: Thank you.

3 BY MR. SISTO:

4 Q So you're the company is Scurry, DAS, D2A,
5 Magni, Freedom Mining. You -- you discuss being the
6 owner. Are you the -- are you also an officer of any of
7 those companies? I assume you're an officer at least of
8 your -- your personal company, if that's just for you,
9 but what about the other businesses?

10 A Yes, I would be -- I would be an officer. In
11 general, I hold the CEO role in all of those companies
12 except D2A, where I think I'm just a co-manager.

13 Q Okay. And --

14 A Scurry Holdings Group, I am -- I am not
15 currently the CEO of that.

16 Q You have been in the past?

17 A I have been in the past.

18 Q What -- what percent of squirrels LLC do you
19 own as -- in your holdings -- holdings group?

20 A I don't know the exact percent offhand. I'll
21 let you ask any follow up there.

22 Q Do you have a general idea?

23 A It would be somewhere in the -- between 25 and
24 30 percent. I just don't know the decimals.

25 Q That's fine. Thank you. Does -- what other

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1 holdings does Scurry Holdings Group have?

2 A Scurry Holdings Group has a subsidiary of
3 Squirrels Nest Assets LLC, which is a real estate
4 holding company, and a -- the other wholly owned
5 subsidiary of Scurry Holdings Group is Squirrels
6 Incorporated. Squirrels Incorporated is the full owner
7 of Squirrels LLC.

8 Q So who, prior to the filing of the case, how
9 was Squirrels Research Labs fit into this? Were they
10 also owned by Scurry Holdings Group or Squirrels Inc.?

11 A No. Prior to filing the case, Squirrels
12 Research Labs was owned directly by its shareholders.

13 Q And that is -- that was when the petition was
14 filed? It was owned directly by shareholders?

15 A Correct.

16 Q Was it always owned directly by shareholders?

17 A In -- at the time of original formation,
18 Squirrels Research Labs LLC, one of the shareholders was
19 the Squirrels LLC entity.

20 Q So -- so Squirrels LLC, what -- at one time.
21 And we'll cover that in more detail later, but at one
22 time owned part of Squirrels Research Labs?

23 A To the best of my recollection, it was
24 Squirrels LLC. I may be incorrect, and it might have
25 been Scurry Holdings Group. I would need to review

1 records.

2 Q Sure. All right. It's safe to say that at
3 some point Squirrels Research Labs, what -- was owned --
4 was within this kind of general Scurry's Holding Group's
5 umbrella, whether it was direct or under Squirrels LLC.
6 And then it eventually was only owned by its
7 shareholders. Right? And we'll get into more detail
8 later, but is that the general way of that?

9 A Yeah. I wouldn't say it was within that
10 umbrella, but it was -- it was owned in part, 25
11 percent, by that group.

12 Q Okay. I'm just going to, for now, it was
13 Scurry or Squirrels LLC. And Squirrels LLC was part --
14 was owned by Scurry, so either way it was under Scurry.
15 Is that right?

16 A Correct, as far as the beneficiary thing.

17 Q You're -- you're represented by counsel in
18 this deposition. Is that right?

19 A I am not personally, no.

20 Q I'm sorry. I should say 2004. I should say
21 2004 examination. It's not technically a deposition,
22 although it's very similar. Go ahead. I'm sorry.

23 A Yeah. My understanding is, the debtor for
24 whom I am a representative in this 2004, is represented
25 by counsel. I am not personally represented by counsel.

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1 Q Thank you. That's a good point. If I refer
2 to you -- and you please always clarify, if I -- if you
3 need to. We -- you know, we want a clean record. I'm
4 probably referring to -- unless I specifically ask you a
5 question about yourself, David Stanfill, as a person,
6 when I say you, I'm referring to you and your capacity
7 as -- as the -- as the representative of Squirrels
8 Research Labs.

9 A Understood.

10 Q If there is any confusion from my question,
11 please follow up with me. And we'll -- and we'll be --
12 both be clear of what we're talking about. You have --
13 you have you previously sat for a 2004 examination in
14 this actual case. Is that right?

15 A Yes.

16 Q Okay. Have you ever sat for a deposition or
17 2004 examination previously, in this case or any other?

18 A I have sat for the 341 meeting, which I've
19 been told qualifies as a deposition. And I have sat for
20 depositions in a -- another personal matter.

21 Q Okay. So you have experience testifying under
22 oath?

23 A Yes.

24 Q So when -- when we're talking today, and this
25 is as much for me as it is for you -- I'm a hand talker,

1 and we're here on video. But you know, no -- don't say,
2 "Uh-huh," or "Uh-uh." It's difficult for the record to
3 pick up. Let's just try to stick to yes or no, or I
4 mean, there'll be a lot of questions that are not yes or
5 no questions. But we need to kind try to keep the
6 record clear by giving precise answers and using precise
7 language. Does that make sense?

8 A Yes.

9 Q If you need to take a break at any time, let
10 me know. There's -- as long as you're not trying to
11 take a break every five minutes, I will have no problem
12 with that. I may need to take a break. We all have
13 needs as human beings. I anticipate taking one like
14 longer break of half hour to 45 minutes, maybe around
15 noon or 1:00, in that timeframe. But other than that,
16 you know, either of us, just take a break when -- when
17 you need it. And don't hesitate to ask if you need one.
18 Okay?

19 A Yes.

20 Q If you don't understand a question -- we've
21 already talked about this a little bit in the context of
22 the you issue and the Squirrels issue. But if you don't
23 understand a question, please ask me to clarify my
24 question. Otherwise, it'll be assumed that you
25 understood the question when someone's reading the

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1 record. And so please, do not hesitate to ask me to
2 clarify if there is anything confusing. As the court
3 reporter already indicated to me, it's important that we
4 speak clearly, have our microphones clear. I have tried
5 to resolve that here on my end. But it's also important
6 that we take turn speaking, because it's difficult for
7 the reporter or someone reading a record if there is --
8 if there's inaudible. Does that make sense?

9 A Yes.

10 Q Do you understand that you're -- that you've
11 been sworn in under oath, under penalty of perjury? This
12 is the same standard as if you were testifying in open
13 court?

14 A Yes.

15 Q Are you excessively tired, under the influence
16 of any substances that would -- anything that would make
17 it difficult for you to tell the truth today or to have
18 a clear mind?

19 A No.

20 Q Do you -- do you understand, generally, what a
21 2004 examination is?

22 A Yes.

23 Q What's your understanding of what we're
24 discussing here today?

25 A My understanding is the 2004 examination is

1 your opportunity to ask me questions about the
2 operations of the debtor's businesses and anything in
3 that realm, for the purpose of, I guess, general
4 discovery of anything that may affect creditor returns,
5 I would say.

6 Q Thank you. I don't have anything to add. All
7 right -- or follow ups. You -- did you prepare for -- I
8 don't want to -- please don't share anything that --
9 that would be attorney-client privilege, as in specific
10 legal advice you were given. But did you prepare today
11 by discussing this with an attorney?

12 A Yes.

13 Q Who did you prepare for this 2004 exam with?

14 A Only with Mr. Merklin here this morning.

15 Q Did you review any documents prior to our --
16 to sitting down today in preparation for this -- this
17 examination?

18 A No. Not in preparation for this meeting.

19 Q Did you bring any documents with you today?

20 A No.

21 Q Did you speak with anybody else about the 2004
22 examination?

23 A Only to the extent of awareness that I was
24 going to be in the 2004, for scheduling purposes.

25 Q So you didn't have any substantive

1 conversations about the 2004 examination with anyone
2 other than Mr. Merklin. Is that right?

3 A Correct.

4 Q And -- and Brouse McDowell -- I've primarily
5 been communicating with Ms. Zurn, but obviously
6 Mr. Merklin is here today. Brouse McDowell is the
7 representative of Squirrels Research Labs in this
8 bankruptcy case. Is that right?

9 A Yes.

10 Q Has -- has Brouse McDowell ever represented
11 you in your personal capacity?

12 A No.

13 Q Has Brouse McDowell ever represented --
14 obviously, they -- they were also representing Midwest
15 Data Company. Have they ever represented any of the
16 other businesses where you are a shareholder or a
17 officer, as we discussed at the beginning?

18 A No.

19 Q Has Brouse McDowell ever -- other than
20 Squirrels Research Labs and Midwest Data Company,
21 represented you or any business -- you in your personal
22 capacity or in your business capacity, you know,
23 anything that you've been related to, where they
24 would've been in a position to provide legal advice,
25 other than for this bankruptcy case?

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1 A No.

2 Q Where did you graduate from college, sir?

3 A Kent State University.

4 Q And when did you graduate?

5 A 2008.

6 Q And what was your degree?

7 A Bachelors in computer science.

8 Q Do you have any post-secondary education?

9 A No degrees.

10 Q Did you -- did you attend school for some
11 time, post-secondary?

12 A I did some work towards a master's degree.

13 Q Where did you go for that?

14 A This was also at Kent State.

15 Q And what was the course of study there?

16 A It was a furthering in the computer science
17 realm. I don't remember the exact details.

18 Q Sure. Has any other business that you've
19 either been an officer or an owner of, filed for
20 bankruptcy besides Squirrels Research Labs and Midwest
21 Data Company?

22 A No.

23 Q Other than yourself -- let's -- to the extent
24 of your knowledge, and I'd like to both say, like, as of
25 the petition date and as of the formation -- actually,

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1 let me ask you, when was Squirrels Research Labs formed?

2 A In late spring to early summer 2018.

3 Q Does -- does late May 2018 sound correct?

4 A It does.

5 Q Who were the -- do you know who the owners --
6 owners were of Squirrels Research Labs when it was
7 formed?

8 A Yes, I believe so.

9 Q I know we -- I know we did touch on this
10 briefly earlier, but just, again, state who the owners
11 were when it was formed.

12 A Yes, it was owned -- 25 percent of it was
13 owned by either Scurry Holdings Group or Squirrels LLC.
14 We've established that. I owned -- I was an owner of
15 it. Andrew Gould, G-O-U-L-D, was an owner. Sidney,
16 Keith, S-I-D-N-E-Y, Keith, K-E-I-T-H, was an owner, and
17 Cory Shoaf, C-O-R-Y S-H-O-A-F, were owners.

18 COURT REPORTER: And I'm sorry, Mr. Stanfill,
19 what was the company you said?

20 THE WITNESS: Either -- either Scurry Holdings
21 Group --

22 COURT REPORTER: Scurry Holdings, okay.

23 THE WITNESS: -- or Squirrels LLC.

24 COURT REPORTER: Okay. Thank you.

25 BY MR. SISTO:

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1 Q So when it was -- when Squirrels Research Labs
2 was formed, 25 percent either or under Scurry or
3 Squirrels LLC, and then yourself, Andrew Gould, Sidney
4 Keith, and Cory Shoaf. Those were the only owners at
5 that time?

6 A Yes, to the best of my recollection.

7 Q Did other shareholders acquire ownership
8 interest in Squirrels Research Labs between when it was
9 formed and when the petition was filed?

10 A You cut out at the end of that question.

11 Q I'm sorry. Between when the company was
12 formed and when the bankruptcy petition was filed?

13 A Yes.

14 Q Who else became a shareholder?

15 A Jessica Chevalier, later married and became
16 Gritzan, became a shareholder in 2019. David Jiminez
17 became a shareholder subsequent to that. Eventually, I
18 believe he bought Cory Shoaf's interest. And then in
19 2021, there was a private offering made where there were
20 a larger number of new minority shareholders that were
21 introduced.

22 Q Is that a -- is that a -- quite a number of
23 folks?

24 A I would not be able to recall them off -- off
25 of my memory. It was a number of folks.

1 Q Okay. And other than Cory Shoaf, the other
2 people who owned a share at the beginning, continued to
3 own shares by the time the bankruptcy case was filed. Is
4 that right?

5 A Yes. Their percentages may have changed over
6 time, but the only two parties that exited ownership
7 were Cory Shoaf and I'm just going to refer to it as the
8 Squirrels LLC ownership.

9 Q Why was Squirrels Research Labs founded?

10 A It was founded to create hardware, basically,
11 data center acceleration hardware.

12 COURT REPORTER: Data -- I'm sorry, I didn't
13 catch that.

14 THE WITNESS: Data center acceleration
15 hardware.

16 COURT REPORTER: Thank you.

17 BY MR. SISTO:

18 Q Were -- was squirrels LLC or any of your other
19 businesses already doing that type of work when
20 Squirrels Research Labs was formed?

21 A Squirrels LLC was not involved in hardware. It
22 supported all significant amount of software IP. That
23 was its main business, was creating and sub- licensing
24 IP for video processing and conference room
25 technologies, similar to this meeting we're in right

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1 now. And its -- its clients have their own hardware.

2 Q So none of your businesses and -- meaning --
3 meaning -- let me put it this way. Any of the business
4 under the -- the Scurry Holdings umbrella or any other
5 business that you personally were involved in, did
6 hardware sales prior to the formation of Squirrels
7 Research Labs?

8 A No, they did not.

9 Q What was the -- you know, I talked about why
10 it was formed, and you -- and you discussed -- I'm going
11 to just refer to it as -- as to do hardware sales. What
12 was the business opportunity that you saw that, you
13 know, as an entrepreneur, that made that sound like a
14 good oppor -- as a business?

15 A I'll give you a little bit longer answer here
16 to make this clear. I was personally working in
17 acceleration hardware in late 2017 and early 2018, at --
18 at a hobby level, and had identified that there was the
19 opportunity to create certain hardware that would be
20 best in class. And we had the opportunity to build this
21 -- this purpose-built hardware that would be able to
22 improve on what was available in market at the time in
23 the cryptocurrency mining realm. And by doing that, we
24 thought that we could amortize the creation of a company
25 that built dedicated hardware itself, which is something

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1 I had always wanted to do. And so we saw this crypto
2 currency hardware demand as an opportunity to amortize
3 the ramp up and supply chain to support a hardware
4 production design and sales organization.

5 Q Have you ever -- have you worked -- I know
6 you're an entrepreneur. You own -- you own and operate
7 in many businesses. So if you -- I don't -- if you were
8 ever paid by any of them as a W-2 or 1099, I'm not
9 referring to those. Have you worked as -- as -- since
10 college ever, as a -- as a W-2 or 1099, just worker or
11 employee for any other business?

12 A Yes.

13 Q Can we go through your just employment history
14 briefly, just post -- post college?

15 A Yes. I was employed during college and then
16 exiting college, as a W-2 employee of a company called
17 DRV Systems in Greene, Ohio, where I worked on software
18 and hardware systems associated with car care industry.
19 And following -- or during the term of that employment
20 is when we created our -- our initial company that later
21 became the Scurry Holdings Group companies. This was
22 around 2008. I was employed as a W-2 employee of the
23 initial company, which was called Napkin Studio, N-A-P-
24 K-I-N Studio. That company was later merged into
25 Squirrels LLC. So I was a W-2 employee of that company

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1 and Squirrels LLC. I may have been a W-2 employee of
2 Remedy Systems or Remedy Ventures. I can't recall
3 whether that was the W-2 or 1099, in the 2009-10 range,
4 which was a company that we did contracting development
5 for in the medical software industry. And then, I was a
6 W-2 employee of Squirrels Research Labs. And I am
7 currently a W-2 employee of Alignment Engine.

8 Q Alignment Engine?

9 A Yes.

10 Q And that is -- that wasn't a business that
11 we've discussed previously. So you are -- you are not
12 an owner or a -- a officer of that company? You're just
13 a normal employee?

14 A Yes, that's -- that's normal employment.

15 Q And what do you do for Alignment Engine?

16 A I do FPGA development and strategy for
17 hardware design.

18 Q I know that I know that this answer could
19 probably be with your intelligence and breadth of
20 experience, that you could probably do a day on this
21 answer, but can you give me the 30 second version of
22 what FPGA means?

23 A Yes. An FPGA is a reprogrammable chip. I
24 guess, the short version would be, most people are at
25 least cursorily familiar with CPUs, such as that from

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1 Intel, or AMD, or GPUs, or graphics processing units
2 from NVIDIA. All of those types of data center
3 accelerators are instruction processing based. You
4 write code. You are -- you have programmers who write
5 code, and you execute programs on those. The code is
6 interpreted, you know, one instruction at a time by the
7 chip. And then that action is taken. And in context,
8 an FPGA is more like a custom definable circuit.

9 So you design an electrical circuit with
10 digital -- all the digital logic, with potentially
11 millions or billions of digital logic gates. And when
12 you -- when you effectively program that onto an FPGA
13 chip, it acts as a blank slate on which that circuit can
14 be built and then reconfigured to a different circuit
15 later, as opposed to an ASIC chip, where that circuit is
16 built permanently with lithography processes in silicone
17 and can't be altered in the future. So it's -- it sits
18 on the continuum between a microprocessor and a
19 dedicated piece of silicone that's being founded --
20 foundried for a very specific purpose.

21 Q Thank you. That was -- I did not -- I
22 followed a lot of it, but not all of it, but I
23 appreciate that kind of background. And is it safe to -
24 - I think for our purposes -- and if -- if this
25 characterization and the answers to any of my question,

1 you feel like you need to add to it, please do. But can
2 we call it computer hardware for what we're -- I mean,
3 is that a safe reduction of what it is?

4 A Yes. We can refer to it as computer hardware.
5 I'll clarify if there's some reason why computer
6 hardware isn't an accurate description of it for a
7 specific question.

8 Q I appreciate that. The -- you said, "We." I'm
9 talking about back when your first job, your W-2 job
10 after college, and you said, "We had the idea, you know,
11 to kind of start our own business while we were working
12 there." Who was -- who was the we you were referring
13 to?

14 A The company -- there were four partners who
15 started the initial business. Two of them are -- have
16 not been involved in the businesses for many years, but
17 Andrew Gould is the other business partner who was
18 involved in that and continues to be involved in several
19 of the businesses I'm tied to today.

20 Q When you -- I'm kind of going back to when you
21 were discussing the -- getting Squirrels Research Labs
22 up and running, and the reason. And you talked about
23 amortizing kind of the startup. Can you explain to me
24 more what you meant by that, and how that worked?

25 A Yeah. So any time you are going to build

1 electronics hardware, your pricing, especially with FPG
2 chips, is heavily, heavily volume dependent. If you
3 were to buy one ship, it may be \$25,000. If you buy
4 1,000 chips, they may be \$1,000 a piece. And so it
5 would be difficult to simply decide that you want to
6 build a small number of units of something for your own
7 purposes. You basically need to ensure volume in order
8 to ensure favorable supply chain terms that actually
9 allow you to have a cost-effective product.

10 Q So what was the funding source then to get
11 Squirrels Research Labs up and going?

12 A We made some initial capital contributions,
13 the ownership group, to purchase electronic components
14 and place some early orders. However, we were working
15 on a product that we were going to launch into market
16 broadly, and the opportunity came to make a sale of a
17 customized product that had been largely designed by one
18 of our vendors. And so we had the opportunity to do a
19 built-to-order one-time sale of this product and
20 generate pass-through profits there that would continue
21 to fund the future growth of the business.

22 Q Was that Avnet, Inc. was the supplier you're
23 referring to?

24 A Yeah, Avnet was the distributor for Xilinx
25 incorporated, who is where the product originated from.

1 Q So this is prior to the formation of Squirrels
2 Research Labs that you were being supplied. And so was
3 Squirrels LLC being supplied with Xilinx tips through
4 Avnet?

5 A No. Squirrels Research Labs was always -- it
6 was being provided through Xilinx. If I can give a
7 short timeline here, it might help guide your questions
8 --

9 Q Sure. Sure.

10 A -- or at least focus your questions. We
11 originally formed Squirrels Research Labs in -- I
12 believe you've indicated, and I believe this is correct
13 -- May of 2018. At that time, we had -- I had had
14 preliminary -- I'll be specifically, it was me
15 exclusively who had had preliminary conversations with
16 Avnet and filled out the supply chain and received
17 various quotes and made some cash orders for some
18 components with longer lead times to support the idea
19 for a hardware that I had.

20 And then we were planning to build some
21 prototypes of our ultimate project, which ultimately
22 became the Jungle Cap project and eventually bring them
23 to market. The ecosystem around the cryptocurrency world
24 in which we were looking to use as a sales channel for
25 the hardware we were building began discussing other

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1 opportunities with FPGAs, which had not been in
2 prevalent discussion prior. And so that forced our hand
3 to move a little bit quicker than we had initially
4 planned.

5 And in discussions with Xilinx, we determined
6 that they did not want any of these basically
7 fly-by-night groups, you know, individuals to be
8 reselling their -- or doing group buys of their
9 hardware. And so they wanted to establish with us,
10 because we had a history of successful business and some
11 level of capital resources to support the operation,
12 that we would be the sales partner through which they
13 would sell their initial board.

14 We viewed this as if we act as the sales
15 partner for this group buy of this, you know,
16 built-to-order board for this initial volume, we'll
17 establish our business as the default name for providing
18 this type of hardware, the cryptocurrency market. And
19 that will better support our internally designed
20 products in the future by having -- you know, build that
21 initial customer base.

22 Q So thank you. Pardon me if some of, you know,
23 my questions repeat a little bit of that, but that --
24 thank you for that explanation. Just so when did -- was
25 Squirrels LLC or any of your other businesses a customer

1 of Avnet, or, you know, did business as far as buying
2 Xilinx chips, whether through Avnet or anyone else prior
3 to the formation of Squirrels Research Labs?

4 A Squirrels LLC became a customer of Avnet --
5 the timeline is something I would need to review
6 carefully, but I don't believe it became a customer of
7 Avnet directly until after the formation of Squirrels
8 Research Labs. But Squirrels LLC did open an account
9 with Avnet and did begin purchasing initial components
10 and placing initial orders. And this was because of
11 Avnet's positive view of Squirrels LLC's existing
12 business, as we established the relationship.

13 Q And those components purchased from Avnet were
14 components that would eventually be, you know, built
15 into your custom FPGAs that you were making and selling
16 from Squirrels Research Labs, but they were initially
17 purchased by Squirrels LLC. Is that correct?

18 A Yes. They were ordered through Squirrels LLC,
19 and then Squirrels Research Labs paid Squirrels LLC for
20 those components.

21 Q And that was in anticipation of getting
22 Squirrels Research Labs up and running to do the
23 business that you intended it to do?

24 A Yes. As I mentioned, we had not expected to
25 launch Squirrels Research Labs products into public

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1 market as early as we needed to. And so many of the
2 underlying, you know, basic business functions needed to
3 support volume customers sales, payment processing,
4 things of that nature were not in place when the market
5 dictated we had to begin offering the products.

6 Q So -- and there had been -- you didn't open
7 Squirrels Research Labs with no idea of who you'd be
8 selling to, correct? There were -- there had been a
9 building of customer base prior to the actual founding
10 of Squirrels Research Labs?

11 A Yes, I had begun engaging with potential
12 customers on a personal basis and enthusiasts for the
13 type of hardware on some different online channels and
14 had gotten a pretty high degree of competence as a
15 businessperson, that there was demand for what we were
16 offering. I had reached out to one of the parties who
17 was starting to make rumors about trying to do a group
18 buy from Xilinx directly and offered -- who is Tom
19 Sensel.

20 Q How do you spell that?

21 A S-E-N-S-E-L, I believe, who had created a
22 company called Allmine, Incorporated, which you may be
23 familiar with, and offered my help, and offered that we
24 could potentially partner to offer this type of hardware
25 to the industry. Again, at the time, this was my

1 attempt to prevent someone else from taking a dominant
2 lead in the industry.

3 Q Okay. So there had been cultivation of a
4 customer base that would eventually be Squirrels
5 Research Labs' customer base prior to its formation? I
6 mean --

7 A Again, the timing is going to be very specific
8 here because it would not have been, you know, months or
9 potentially even weeks prior. It would've all occurred
10 in that May -- you know, maybe late April to May, to
11 June timeframe would've been all the customer
12 cultivation.

13 Q And so Squirrels LLC was -- I mean, as you've
14 said, held some -- you know, paid and held some of these
15 hard supply, you know, computer supplies that would
16 eventually be part of the product sold by Squirrels
17 Research Labs. Did you personally also purchase and
18 hold some of these in your personal capacity?

19 A It's pretty likely, but I don't recall
20 definitively.

21 Q Okay. And don't let me put words in your
22 mouth. So please correct me if this character is -- but
23 you were doing what you could to get these, whether it
24 was some in your personal capacity or through Squirrels
25 LLC in order to be able to launch Squirrels Research

1 Labs successfully, to get it -- to have it hit the
2 ground running. Is that a fair characterization?

3 A Yes. Yes.

4 Q How long had Squirrels LLC existed when
5 Squirrels Research Labs was founded?

6 A Formally, Squirrels LLC under name had existed
7 since 2012. So more than six years.

8 Q I saw a -- I don't -- I could find it probably
9 fairly quickly. I don't have it prepared as an exhibit,
10 but you're probably familiar with a press release that
11 Squirrels released in early 2019 talking about kind of
12 the separation of Squirrels Research Labs and Squirrels
13 LLC.

14 A Yes.

15 Q And it referenced that the businesses had been
16 sharing resources and would no longer be sharing
17 resources. Can you describe what -- and maybe we can
18 follow up and get more specific. I know this is a
19 general question, but what were -- what was the resource
20 sharing that was happening between Squirrels LLC and
21 Squirrels Research Labs?

22 A Yes. I can explain that. I alluded to this a
23 little bit earlier. At the time when we launched
24 Squirrels Research Labs, Squirrels Research Labs itself
25 had primarily an engineering team, a small engineering

1 team focused on the hardware design and products, as
2 well as some sales efforts. It did not have all of the
3 support ecosystem that you would need to quickly to
4 launch a product into market.

5 And so we agreed that Squirrels LLC would
6 contract out web design resources, creative design
7 resources, customer support resources, some software
8 development resources, as well as accounting and HR
9 resources, while Squirrels Research Labs ramped its
10 business. And so it provided those resources,
11 primarily, between June and August of 2018. And then
12 there were some residual resources that were provided
13 after from, you know, September through, effectively,
14 January of 2019, when the businesses, you know,
15 completely separated their operations for a number of
16 reasons.

17 Q And did Squirrels LLC charge Squirrels
18 Research Labs for those services?

19 A It did.

20 Q Was it at the ordinary rate that Squirrels LLC
21 would charge any customer for the same services, or -- I
22 guess some of those services were not services that
23 Squirrels LLC marketed broadly. And so let me ask a
24 cleaner question. I'm sorry. So some of the services
25 that Squirrels LLC was providing Squirrels Research Labs

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1 are services that would be provided to other customers,
2 is that correct?

3 A Yes, to the best of my knowledge of Squirrels
4 LLC's operations.

5 Q Some were not services that were necessarily
6 provided to other customers, is that also accurate?

7 COURT REPORTER: Sorry, I missed --

8 THE WITNESS: You broke up a little bit.

9 COURT REPORTER: -- yeah, that question broke
10 up, and you're starting to muffle a little bit
11 again.

12 MR. SISTO: All right. I'm sorry. Let me know
13 -- I don't know what's going on with my muffling but
14 thank you for letting me know. Is that better?

15 COURT REPORTER: Yeah.

16 BY MR. SISTO:

17 Q Okay. Some of the -- what Squirrels LLC was
18 providing to Squirrels Research Labs in the way of
19 support, but it was also being compensated, for some of
20 those were services that Squirrels LLC sold as part of
21 its business model. And some were just -- were not
22 things that other customers would have access to. Is
23 that a fair characterization?

24 A Yes.

25 Q So what are the things that -- services that

1 Squirrels LLC provided that were things that were also
2 provided to other customers?

3 A Squirrels LLC. And again, I'm not here as a
4 representative Squirrels LLC, but I'll answer that
5 question with my personal knowledge. Squirrels LLC
6 regularly did contract development for hire of a variety
7 of mechanisms. In addition to licensing its IP
8 technology, it did integrations which included software
9 development, sometimes writing hardware, firmware
10 integrations, sometimes doing web development, sometimes
11 doing creative design, those pieces.

12 And then to a lesser degree, it provided
13 support services to third parties in its regular course
14 of business. The functionalities that were not
15 regularly provided by Squirrels LLC to outside customers
16 were the procurement support, the accounting support,
17 and the --

18 Q Payment? Is that right? Like, the payments
19 are --

20 A -- yeah. Payments, processing, bookkeeping,
21 those pieces. And then the HR kind of level support.

22 Q Did Squirrels Research Labs compensate
23 Squirrels LLC for those services, or only for the
24 services that it also provided to other customers?

25 A It compensated Squirrels LLC, I believe, on a

1 pass-through basis for all costs Squirrels LLC incurred
2 in supporting Squirrels Research Labs.

3 Q So it was only at cost?

4 A To my recollection, it was built directly at
5 cost.

6 Q But the services that Squirrels LLC sold were
7 -- Squirrels LLC did make a profit on those services,
8 the ones that it also sold to other customers, is that
9 correct?

10 A I don't leave Squirrels LLC sold any services
11 for profit to Squirrels Research Labs, based on my
12 recollection.

13 Q So I understand that you're saying you can't
14 be a 100 percent certain, but right -- from your memory
15 right now, Squirrels LLC provided all services. Whether
16 or not they were also marketed to other third parties,
17 they provided all services to Squirrels Research Labs at
18 cost; is that accurate?

19 A Yes, that is accurate. The nature of
20 providing those services was basically because the
21 ownership group of Squirrels Research Labs said, "Hey,
22 we have a stake in this other company. Can we borrow
23 some of the staff to get this off the ground, and we'll
24 pay for the opportunity cost, basically?"

25 Q And at that time, you were officers in both of

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1 those companies, right?

2 A I was. At that time, I held the CEO role in
3 both companies.

4 Q Was there anyone else during this time frame?
5 And what we're talking about is post-founding of
6 Squirrel -- you know, between May 2018 and March 2019.
7 You understand the timeframe I'm talking about? After
8 the formation of Squirrels Research Labs and before they
9 split, were there any other officers of both other than
10 you?

11 A No.

12 Q You were the only one that was an officer of
13 both?

14 A I was the only one that was an officer of
15 both. That's correct.

16 Q Okay. And were there any other folks --

17 A Actually, allow me to -- sorry, I didn't mean
18 to talk over you. I wanted to --

19 Q No, go ahead. I'm sorry.

20 A -- briefly finalize that answer, because I was
21 thinking of officers with ownership. It is possible
22 that Jessica Gritzan would have held the COO role in
23 both companies. However, she didn't have any ownership
24 stake at the time.

25 Q Thank you. And so now ownership -- and I know

1 we've covered ownership a couple times, but I just want
2 to -- in this kind of context that we're discussing.
3 During that time period, were there any -- other than
4 you. I know you had ownership interest in both. Were
5 there any other folks that had ownership interest in
6 both, even if they weren't an officer, or another
7 business had an ownership interest in both?

8 A Yes. Andrew Gould, Sidney Keith, and Cory
9 Shoaf had ownership both -- interest in both the Scurry
10 Holdings Group chain of companies and Squirrels Research
11 Labs directly.

12 MR. SISTO: Ms. Veneman, I have a question for
13 you briefly. I'm going to use some exhibit that
14 I've pre-marked and shared with Mr. Stanfill and
15 Mr. Merklin. Do you mind if I just use the numbers
16 that I've -- they're not going to be in order --
17 chronological order for you. Is that okay if I --
18 or do you need me to do Exhibit 1, 2, 3 when I
19 introduce them here?

20 COURT REPORTER: No. Whatever numbers you guys
21 need to use, that's totally fine.

22 MR. SISTO: Okay. Thank you.

23 COURT REPORTER: Yup.

24 MR. MERKLIN: Bryan, I have no objection to any
25 numbering you want to use, but I will represent to

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1 you -- I will represent on the record, as we
2 discussed yesterday, I received from you I think in
3 excess of 310 megabytes of documents. I have not
4 printed them all. So if you refer to them, they'll
5 have to be put on the screen.

6 MR. SISTO: Yes, sir. I will do that right
7 now. So I do want to say on the record, again, we
8 discussed this, I think briefly off the record, and
9 I think briefly, again, on the record. This
10 document is subject to a protective order. These
11 are the decking reconciliation reports for Squirrels
12 Research Labs. So Ms. Veneman, when I send these to
13 you for submission into the record, will you please
14 make a notation that these -- that the exhibit is
15 subject to court order?

16 COURT REPORTER: Yeah, I will.

17 MR. SISTO: And Mr. Forsell, who is on the
18 line, has signed the protective order. And we have
19 a statement on the record from Mr. Merklin that he
20 is fine with Mr. Schwag being on the call, even
21 though he did not actually sign the protective
22 order, just want to make sure we all are clear on
23 that.

24 BY MR. SISTO:

25 Q Mr. Stanfill, do you recognize this document

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1 as I described it?

2 A I'm not personally familiar with the document,
3 but I recognize it as you describe it here, as far as
4 what it is.

5 Q This is the checking account for Squirrels
6 Research Labs for the month ending -- and I'm putting my
7 cursor on it there -- July 31, 2018. Is that correct?

8 A That is correct.

9 Q And we see here that the beginning balance was
10 \$0. Is that right?

11 A That would match with my recollection.

12 Q So Squirrels Research Labs did not -- and
13 let's look down at the deposits here. The first deposit
14 we see is July 5, 2018; is that correct?

15 A Yes.

16 Q So Squirrels Research Labs did not hold any of
17 its own cash until July 2018. Is that right?

18 A Yeah. I don't believe Squirrels Research Labs
19 bank accounts were opened, and in reference to my
20 previous answer. It was pressed by market conditions to
21 start operating its business publicly earlier than it
22 had planned. And so prior to this time, all of
23 Squirrels Research Labs capital activity was really
24 being -- purchases being made by founders that hadn't
25 been reconciled into a common bank account or anything

1 about it yet.

2 Q Okay. And there is not a -- this is the
3 checking account that Squirrels Research Labs used,
4 correct? There was not another account at this time for
5 checking or for savings, or any other type of account?

6 A Correct.

7 Q So we see a total number of deposits into
8 Squirrels Research Labs during July 2018 of \$834,000 and
9 change. This is -- I know the document is not a
10 credible fidelity, but that is what it says, is that
11 right?

12 A Yes, that's what's stated there.

13 Q And I know you've described this. We answered
14 kind of this generally earlier, but where were these
15 deposits coming from?

16 A These were coming from initial sales
17 built-to-order hardware that SQRL was offering to
18 market.

19 Q So none of these deposits are, at this point,
20 capital contributions?

21 A I haven't individually reviewed these
22 deposits. It's possible some capital contributions were
23 in there, but to my knowledge, those are sales
24 transactions.

25 Q Squirrels Research Labs did sell product and

1 collect payment on product prior to July 2018, correct?

2 A Correct.

3 Q So where did those payments go?

4 A Squirrels Research Labs go-to market strategy
5 was primarily through channel partners. And so we
6 utilized the minority company as it was called,
7 minority.io, I believe, if I recall correctly, as well
8 as Allmine Incorporated partnerships as sales channels.
9 Allmine operated a site portal called fpga.land, I
10 believe.

11 And then Squirrels LLC for wire transfers,
12 which we were not set up to receive -- even in July, we
13 weren't ideally set up to receive those. Squirrels LLC
14 acted as the payment processor for anyone who wanted to
15 pay directly by a wire transfer.

16 Q So if minority.io or Allmine collected the
17 funds, did they turn funds over -- I'm probably asking
18 that in elegantly, but what was the timing that they
19 would receive payment? And when were they required to
20 turn the funds over to Squirrels Research Labs?

21 A The initial payments -- the early payments
22 that occurred in June were basically cycled over
23 immediately due to the need to pay Avnet the initial
24 order to correspond with the order volume that we were
25 receiving. The terms with Avnet were that 50 percent of

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1 the total order volume price needed to be paid up front,
2 and the balance would be paid, you know, net 30 after
3 delivery.

4 And so, as the orders began coming in and we
5 were able to determine the order volume level, those
6 funds were gathered, and they were gathered by Squirrels
7 LLC's accounting staff. They were gathered by the
8 Squirrels LLC, and then paid to Avnet to make that
9 initial substantial deposit to secure the hardware for
10 the built-to-order deliveries.

11 Q So Squirrels LLC was taking payments from --
12 directly, in some cases, or indirectly through Allmine,
13 or minority and paying at net for the hardware?

14 A Yes. Yes. There was -- in that I'll call it
15 mad dash initial period to go to market, Squirrels LLC
16 took substantial transfers directly in order to make
17 that substantial wire transfer to admin.

18 Q So I'm looking at -- we looked at deposits,
19 which further down the page, there were, looks like 11
20 payments made by Squirrels Research Labs in July of
21 2018. Do you see what I'm referring to here at the top
22 of the page that you should see on your screen?

23 A Yes.

24 Q There's just under -- well, I guess it's more
25 -- closer to 400 than five, about \$440,000, just under

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1 \$440,000 of total disbursements from Squirrels LLC. I'm
2 sorry. From Squirrels Research Labs, LLC during July of
3 2018, correct?

4 A That is correct. Yes.

5 Q So it appears there's a couple blanks, there's
6 a check for \$20,000 that doesn't show the payee, but
7 about \$400,000 of that 440,000 were paid to Squirrels
8 LLC, is that correct?

9 A Yes, they were -- those funds were remitted to
10 Squirrels LLC.

11 Q So in July of 2018, what was -- at that time,
12 what was Squirrels LLC being paid for?

13 A Those would've been paying Squirrels LLC for
14 products that Squirrels LLC had procured for Squirrels
15 Research Labs, electronic components or built-to-order
16 hardware, substantially.

17 Q And did Squirrels LLC send product directly to
18 end customers or was it routed through Squirrels
19 Research Labs somehow? How did that part of it work?

20 A All of the product was shipped directly to
21 Squirrels Research Labs warehouse, which was established
22 in August of 2018. This product has significant lead
23 time. And so at the time in which these product orders
24 were being placed, Squirrels Research Labs had not yet
25 stood up its warehousing and fulfillment operations.

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1 When those were put in place, which was in August of
2 2018, all of that product flowed into those fulfillment
3 warehouses, and then Squirrels Research Labs shipped all
4 of it out to customers from there.

5 Q So no product was actually received by
6 Squirrels Research Labs prior to August 2018?

7 A It would've been received by Squirrels
8 Research Labs at its -- I guess you would say that the
9 offices which were shared between Squirrels Research
10 Labs and Squirrels LLC, but my recollection is no
11 substantial product was actually shipped until the
12 Squirrels Research Labs warehouse was actually in place.
13 There may have been some components that were received
14 at the offices shared by Squirrels Research Labs and
15 Squirrels LLC for staff offices.

16 Q So Squirrels Research Labs paid Squirrels LLC
17 back for product that had not actually been received, is
18 that accurate?

19 A Yeah, the cash flow would've been such that
20 Squirrels Research Labs paid Squirrels LLC as soon as it
21 received the funds to purchase those products, and
22 Squirrels LLC remitted those payments to the vendors
23 that it had ordered from at the time.

24 Q Do you see where all the one of the transfers
25 to Squirrels LLC are bill payment, and then one is an

1 expense, and one for \$200,000? Second from the bottom /
2 is an expense. Do you see that?

3 A Yes.

4 Q Do you know what the difference in the
5 notation there indicates?

6 A I'm not the accountant. I don't know why they
7 were categorizing things the way they were.

8 Q Do you -- is that information type of
9 information recorded elsewhere?

10 A I believe you've requested documents from --
11 or we have requested on your behalf documents from
12 Squirrels LLC, who had -- was keeping, you know, the
13 majority of the books at this time. So I suspect that
14 they have all of those records forthcoming.

15 Q So Squirrels -- so yeah, that would be
16 whenever they are coming. We would appreciate that. So
17 the accounting was being done on the Squirrels LLC side,
18 it wasn't being done on both sides; is that accurate?

19 A Yeah. At this time, Squirrels Research Labs
20 didn't have any of its own accounting staff. And so the
21 Squirrels LLC accounting staff was keeping all of the
22 books and tracking all of the transfers at that time. I
23 believe if you -- at the top of this document, it refers
24 to Amanda McConnell reconciling it in October.

25 That is -- Amanda McConnell was hired on to be

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1 the bookkeeper for Squirrels Research Labs, and thus why
2 this reconciliation is happening so late in the year,
3 once Squirrels Research Labs had its own accountant.

4 Q Did Amanda McConnell ever work for Squirrels
5 LLC? Or did she only work for Squirrels Research Labs?

6 A She was employed through Squirrels LLC during
7 her initial hire. There were, I think, only two hires
8 that were -- maybe more -- where Squirrels LLC actually
9 hired the employee on behalf of Squirrels Research Labs,
10 because Squirrels Research Labs did not have any payroll
11 processing, or HR, or accounting set up at that time.
12 And so they were briefly employed by Squirrels LLC
13 before Squirrels Research Labs got all of those systems
14 in place.

15 COURT REPORTER: And I'm sorry, Mr. Sisto,
16 before I forget, what exhibit number is this?

17 MR. SISTO: I'm sorry. Thank you. This will
18 be Exhibit 14.

19 (EXHIBIT 14 MARKED FOR IDENTIFICATION)

20 COURT REPORTER: 14? All right. Thank you.

21 BY MR. SISTO:

22 Q And just to make it clear for the parties,
23 they produced these checking account reconciliation
24 statements by month, and I have combined them into a
25 single PDF. That's just to make it clear what we're

1 talking about. It's their production, but it has been -
2 - no other alterations other than trying to clean up the
3 fidelity a little bit and combining it into a single
4 PDF. So Mr. Stanfill, so thank you for indulging my
5 document rant there for the record. We see payments.
6 This is the August 2018 pay -- the debits from the
7 account. For the first time, there were none to Avnet.
8 In July, now there are payments to Avnet as well as
9 significant -- I mean, I'm going to eyeball it here, but
10 with the understanding that I'm not being totally
11 precise. There are over half of a million in debits to
12 both Squirrels LLC and to Avnet over the course of
13 August 2018. Does that sound like it's accurate?

14 A Yes. That would match with what I've laid out
15 before, which is by basically September, Squirrels
16 research labs was operating all of its own accounts and
17 had its kind of systems up and running and smoothly. And
18 so, the past three purchases that Squirrels LLC had
19 managed would mostly be items where delivery, you know,
20 orders had been placed prior, and delivery wasn't
21 received until August or September. And thus, you know,
22 there was a balance due on delivery, things of that
23 nature.

24 Q And so, there was a balance due on delivery.
25 That would be when Avnet would be paid. We see a very

1 small -- I mean, relatively small, given the size of
2 some of the other payments, to Avnet on August 2, 2018.
3 That would -- the product would've been received by
4 Squirrels research labs. And that's when now you're
5 doing business, you, meaning Squirrels research labs and
6 not Squirrels LLC are doing business with Avnet
7 directly. So therefore, they would pay that bill to
8 Avnet at that time.

9 A Yes. Yes. And it would vary based on the
10 backing vendor that Avnet was distributing for -- some
11 would require deposits upfront. Some of them would
12 require fully paid upfront. Some would require, you
13 know, would completely ship the product and bill net 30.
14 There was some variance in terms based on Avnet's
15 upstream vendors criteria.

16 Q So you had -- you had -- you had some where
17 you were prepaying and somewhere you were expected to
18 pay immediately upon delivery and somewhere you had up
19 to a month and --

20 A Correct.

21 Q -- lifetime. But those would still all be
22 reflected as Avnet here in the ledger.

23 A Avnet would've been the vast majority. There
24 were other vendors up for electronics components,
25 principally DigiKey Incorporated and Mouser were the

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1 other two large vendors for electronics components that
2 we relied on.

3 Q So we see these payments, being Avnet smaller
4 payments, but here in August 2018, there's still
5 payments for -- there's a payment for almost \$400,000, a
6 payment for just over \$200,000, to Squirrels LLC was
7 one. And then, there's many, many smaller payments.
8 Were these all for product at this point still?

9 A Yes. And I can give you a ballpark piece here
10 that in total, I believe almost \$9.5 million of product
11 was purchased where Squirrels LLC did the procurement.
12 And relative to that, the services and that Squirrels
13 LLC provided was -- I don't know the exact number, but
14 was in the order of magnitude of \$500,000, relative.

15 Q Okay. Do you know why there'd be a \$205,000
16 expense with, with no pay listed?

17 A I do not. I don't have the records --

18 Q I'm sorry. I interrupted you. Just for the
19 record, I was referring to an entry on August 27, 2018,
20 with a \$205,000 expense with, with no pay. So we see
21 individuals receiving checks. There's an individual
22 named Haokai Feng, a check for \$36,000, Milo Rodriguez,
23 just under \$11,000, several other names with smaller
24 checks. Who were these individuals receiving checks
25 from Squirrel's Research Lab at this time?

1 A So at that time, it looks like late August.
2 Those would've been refund requests that were being
3 processed.

4 Q And what -- what -- what was the refund for?

5 A There had been a delivery delay from our
6 upstream suppliers. And despite the fact that we sold
7 all the product as built-to-order, non-cancelable,
8 non-returnable, again, we were trying to establish a
9 multi-year, much larger business. We didn't want to
10 build the reputation of being difficult to deal with.
11 So as we've got some smaller refund requests when we
12 notified those customers that their product would not be
13 delivered on the original timeline, we did our best to
14 issue corresponding refunds.

15 Q Did any refunds come from Allmine or minority
16 or any other kind of third-party relationship you had?
17 Were they always directly to Squirrel research labs?

18 A I don't have direct knowledge of those
19 business operations, but I do recall that Tom Sensel,
20 the principal of All Mine incorporated had processed
21 some -- some refunds directly himself. He was also very
22 concerned about the, you know, reputational hit from the
23 late deliveries. I don't believe minority ever
24 processed, to my recollection, any refunds themselves.
25 They would've relied on us to do that.

1 Q Did Squirrels LLC ever provide any refunds
2 directly?

3 A I don't believe so, but I can't say
4 definitively.

5 Q Mr. Stanfill, part of me, my mouth is getting
6 very dry and I'm already having muffle problems. So I'm
7 going to grab a glass of water. Can we reconvene at
8 11:00 a.m.? Is that all right?

9 MR. MERKLIN: Yeah. Now, before we do that,
10 Bryan, can you give me roughly what time you
11 anticipate roughly taking a lunch break so I can
12 make sure I order something for us?

13 MR. SISTO: I'm really able to do that at your
14 convenience. I don't -- I don't mind. I do think
15 that, again, it's hard to estimate, as you know,
16 Marc. I don't think that this will last past the
17 late afternoon. I think we're -- Mr. Stanfill is --
18 anyway, I mean, it's proceeding. Well, it's hard to
19 know until you sit down. Why don't we --

20 MR. MERKLIN: Can we suggest that somewhere in
21 that range to noon, we'll take a break?

22 MR. SISTO: Sure. How about we come back for
23 another hour? Let's say 11:05, if that's okay. And
24 we'll go until 12:15. Is that okay?

25 MR. MERKLIN: That's fine.

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1 MR. SISTO: And then, is 45 minutes enough?

2 MR. MERKLIN: That -- that's plenty.

3 MR. SISTO: Okay. Or I can come back. We can
4 come back earlier if you'd like. 45 is probably
5 good just to give everyone a little break, and then
6 -- so we'll reconvene here at five after 11. We'll
7 talk for 70 minutes and then we'll take a 45-minute
8 break and then reconvene at 1:00. Is that a good
9 kind of general plan?

10 MR. MERKLIN: Works for me.

11 MR. SISTO: Great. Thank you. All right. I'll
12 see you folks in a few minutes here.

13 (OFF THE RECORD)

14 COURT REPORTER: Okay. We're back on record.

15 BY MR. SISTO:

16 Q David, I'm going to apologize in advance. This
17 next section of our discussion is going to be a little
18 bit tedious, but it's something that we need to do. If
19 -- if a hearing yesterday had gone differently in case,
20 this might have been muted. But as of now, it's
21 something that we need to discuss. I'm going to show
22 you an exhibit here in a moment. And I want to try to
23 do this efficiently because it will be a little bit
24 tedious, but I'm going to show the asset purchase
25 agreement from the case. This is -- we're moving way

1 forward in time to where -- what we were discussing
2 previously to the -- to the assets of Squirrels research
3 labs that were sold to Instantiation as part of the sale
4 of the bankruptcy case. And there are many pages.

5 I do think we can do this relatively quickly,
6 though. So let -- I'm going to tell you what -- how I
7 think we can handle it. Let me know what you think. I'm
8 going to go through the assets that were sold and I
9 would just -- and all you need to do is look over the
10 page and then tell me when you're done with the page and
11 we'll move to the next page. I would like you to
12 identify things that were not purchased from Avnet
13 originally to -- by Squirrels Research Labs. Does that
14 make sense?

15 MR. MERKLIN: Before you ask him that, I'm
16 going to generally object to the extent it requires
17 a legal conclusion as to what is or is not covered
18 by a purchase money security interest. But if you
19 want to ask him based factually upon what components
20 there are, obviously I have no objection to those
21 questions. But I'm going to object to the extent
22 you're requiring to get a legal answer.

23 MR. SISTO: And Marc, and I appreciate that
24 objection. I'd be making the same objection in your
25 place, but I did -- that's why I was very careful

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1 not to say what was covered by a security agreement.
2 I'm just -- I'm asking us just was not purchased
3 from Avnet and this -- that's none of Mr. Stanfill's
4 issue whether or not it was covered by a security
5 agreement. And I think that's an issue between
6 other parties, but I -- as part of this discovery of
7 the 2004 process, no one has yet provided detail on
8 what this stuff was purchased by Avnet or not. And
9 that's the --

10 MR. MERKLIN: I'm not -- Bryan, I'm not
11 objecting to the question. You can ask him what
12 components or what portion of components for Avnet.
13 I'm simply making a record objection as to any legal
14 conclusions. That's all.

15 MR. SISTO: Thank you.

16 BY MR. SISTO:

17 Q No. And what I was trying to do was, was, was
18 buttress what you were saying by, I don't want him to
19 provide that and I hope I'm not asking for that. And I
20 appreciate that your -- your objection. So let me first
21 say, did -- as a more general statement, Mr. Stanfill,
22 did anything that -- any computer hardware that was sold
23 to Instantiation come from anywhere other than being
24 purchased from Avnet?

25 A I find that question a little bit difficult to

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1 answer, so I'm going to give you --

2 Q I can try to ask a better question. Or if you
3 feel comfortable answering, go ahead.

4 A Let me give you two answers. No outside of
5 the context that much of the computer hardware that
6 Squirrels research labs sold was in fact built and
7 assembled by Squirrels research labs. So it did not
8 come from Avnet in the form it was sold.

9 Q Thank you. That's -- so there were -- there
10 were no other vendors other than Avnet for which you
11 bought computer hardware?

12 A There were small accessories that we sold that
13 were purchased directly from other vendors and resold.
14 So I do need to include those in this.

15 Q Okay. Again, let's try to do this quickly. I
16 know it'll be a little bit tedious, but I think, you
17 know, I think we can get it done. I would appreciate if
18 you identified things that were simply just not
19 something that had anything to do with Avnet. All
20 right? Just identify those items. Or if there is
21 something that's sold, but it was -- if its only
22 components that Avnet -- you bought from Avnet, you
23 don't need to identify that. But please identify
24 anything if it was combined with any component, if that
25 makes sense, that was not purchased from Avnet, even if

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1 -- even if it was mostly purchased from Avnet. Does
2 that make sense?

3 A Yes, I understand what you're --

4 Q All right.

5 A -- you're attempting to -- a better word.

6 Q Thank you. Thank you. So I'm representing to
7 you that this is the exhibit to the asset purchase
8 agreement that was filed in the bankruptcy case. This
9 is the second version of it. After some items were
10 removed, this is the version that was filed on -- this
11 may, I may have pulled the original version, but for
12 purposes of what I'm asking for you to do, I, you know,
13 Mr. Merklin's put his objection on the record as far as
14 no legal conclusions. And I think that it, that we can
15 still go through it in this form. So you understand
16 that this is the, that this is the asset purchase
17 agreement for, for the items that were sold to
18 Instantiation?

19 A Yes.

20 Q Okay.

21 COURT REPORTER: And Mr. -- I'm sorry,
22 Mr. Sisto, is this -- what number is this?

23 MR. SISTO: This is exhibit 11. Thank you,
24 ma'am. I appreciate that. I need to remember that.

25 (EXHIBIT 11 MARKED FOR IDENTIFICATION)

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1 COURT REPORTER: No, you're fine. And then I -
2 - for the last one, the protective order. Is
3 everything you talked about under that protective
4 order?

5 MR. SISTO: No, this exhibit is a public
6 document. It is not part of the protective order.

7 COURT REPORTER: Okay.

8 MR. SISTO: Marc and -- I should ask actually,
9 now that I think about it. To the extent that
10 testimony was offered on the detail in those
11 accounts, do you want the entire deposition
12 transcript to be subject to that protective order?
13 Are you only interested in the exhibit being subject
14 to the protective order?

15 MR. MERKLIN: I'm only interested in the
16 exhibits for those questions.

17 MR. SISTO: But you're fine that some
18 information was shared from those exhibits? That
19 will be part of --

20 MR. MERKLIN: Yeah. I reserve the right,
21 Bryan, to invoke the confidentiality if we get into
22 things like account numbers or personal information.
23 No personal identifier information, but --

24 THE WITNESS: You did name some specific
25 customers. And I would generally view that as -- we

1 are not entitled to disclose the name of specific
2 customers.

3 MR. MERKLIN: Yeah. So that's a good point. We
4 should probably have those customer names subject to
5 the confidentiality provisions.

6 MR. SISTO: Okay. I don't really have a
7 problem for the -- because if anything like that
8 ever would need to be introduced, we'd obviously
9 have a conversation about that down the road. But
10 to make it easy for right now because we'd have to
11 do that anyway, why don't we just mark this
12 deposition as subject to the protective order?

13 MR. MERKLIN: That's fine.

14 MR. SISTO: I mean, I'll -- and I assume that
15 we all work in good faith for things. I clearly
16 wouldn't have a problem being introduced into the
17 record if they needed to be down the road.

18 BY MR. SISTO:

19 Q So all right, Mr. Stanfill. So let's -- let's
20 go through this. And some pages are probably going to
21 have nothing and others, you might be just doing a lot
22 of tedious reading, but let's go through and say, again,
23 are the things that did not come involved with Avnet? In
24 other words, things that had nothing to do with Avnet,
25 or if a component was included that was not purchased

1 from Avnet.

2 A Yeah. And I'm -- I'm going to obviously go
3 along with this, although I will state that this is,
4 this is, a very tedious mechanism of accomplishing this
5 goal. In general, you're going to hear answers, because
6 anything that we assembled includes the circuit board
7 and every circuit board did not come from Avnet. So in
8 answering your question, I am -- for the vast majority
9 of items until we get to the electronic components,
10 everything on that page either didn't come from Avnet or
11 included something that didn't come from Avnet.

12 Q And if -- if -- if -- if you see that in that
13 way, I'm fine if you make an answer like that if you're
14 comfortable making it, so that you don't have to
15 actually read off every item. So to break a little bit
16 of the tedious, if possible. Okay. So however you want
17 to convey the information, as long as it's accurate, is
18 fine with me. Is that okay? All right.

19 A Yeah. I'm perfectly fine to just read through
20 this list and provide the answer on the -- after the
21 reading each item, if that accomplishes your goals.

22 Q Yep. Let's go -- let's go for it. Thank you.
23 Thank you for working out that strategy with me.

24 A Okay. Acorn -- Acorn CLE101 is a combination
25 of parts from and not from Avnet. Acorn fans are not

1 from Avnet. QSFP are not from Avnet. Nest fans are not
2 from Avnet. Acorn CLE215 plus heat sync is not from
3 Avnet. Acorn 101 ready to ship is a combination.
4 Thermal pads of four-millimeter, two-millimeter, and
5 three-millimeter size gray are not from Avnet. Cooling
6 fins, BCU passives are not from Avnet. PRM heat sinks
7 for acorns are not from Avnet. Acorn CLE215 heat sinks
8 are not from Avnet. BCU back plates are not from Avnet.

9 I'll clarify. I am not directly familiar with
10 which version of the BCU backplate that is. There is an
11 original BCU backplate, which was upgraded by Squirrels
12 research labs and the original version would've been
13 from Avnet, and the upgraded version was not. So some
14 ambiguity on that one. Heat sink, there's ambiguity as
15 to which heat sink that refers to without it in front of
16 me. I'm going to say that's generally not from Avnet
17 except for heat sinks that would've been factory
18 originals on BCU accelerators that were upgraded. Fan
19 plate BCU active, not from Avnet. BCU duct, not from
20 Avnet. Heat conduction adhesive, not from Avnet. 11
21 tubes of solder paste, I can't definitively say, but
22 which vendor we sourced those from. Red toad of M2
23 thunder board adapters not from Avnet. BCU water
24 blocks, not from Avnet. 800 ESD miscellaneous chip
25 trays, not from Avnet. Solder paste, again, I can't

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1 definitively say which vendor they were sourced from.

2 Miscellaneous wired, not from Avnet.

3 Q Thank you. I am scrolling here.

4 A 5X64 Acorn 215s, those would be a combination
5 of parts. Acorn 215 plus, ready to ship, a combination
6 of parts. 2TPS EBM evaluation kits, those would not be
7 from Avnet to my knowledge. Scrap PDU internal parts,
8 not from Avnet. Miscellaneous dev acorn nests, those
9 would be a combination of parts. 15 bit main power
10 supplies bad, not from Avnet. 11 HP power supplies,
11 bad, not from Avnet. 3X Acorn 101s, those would be a
12 combination of parts. Box of camo spray paint,
13 approximately 30 cans, not from Avnet. Acorn 215, ready
14 to ship, that would be a combination of parts.
15 Miscellaneous large wood pallets. I can't definitively
16 say whether those were part of an Avnet shipment or not.
17 FF12 NF broken Juki feeder, not from Avnet. I'm going
18 to a little bit abbreviate that all Juki feeders are not
19 from Avnet. And so, I will skip those in the rest of
20 this.

21 Q Thank you.

22 A Acorn 215 plus, that's a combination of parts.
23 Six cans of Rustoleum spray paint, that is not from
24 Avnet. Four cans of galvanized spray paint, not from
25 Avnet. Four MTS 32 boxes, those would be from Avnet.

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1 Acrylic from BCU water block, scrap, not from Avnet.
2 M2PCIE adapter, that is not from Avnet. M2PCIE cable,
3 not from Avnet. Thermal pads, 1.5-millimeter gray, not
4 from Avnet. 13 boxes, MX water blocks and back plates,
5 not from Avnet. Thermal pads, half a millimeter, gray,
6 not from Avnet. Unshielded ram ballistic four gigabyte
7 DDR four dims, I do not believe those were purchased
8 from Avnet, but I can't go be 100 percent sure that they
9 didn't route through Avnet. Ten boxes FK passive heat
10 sinks, not from Avnet. Shielded ram ballistic four
11 gigabyte DDR four dims, again, I do not believe that
12 they were from Avnet, but it's not impossible. Those
13 were purchased from Avnet.

14 10X, 30 port manifolds, those are not from
15 Avnet. Lebert EPA 150CP use, quantity 13, not from
16 Avnet. Parmasco filter tank, not from Avnet. All three
17 Generac generators, not from Avnet. The KISS selective
18 solder machine is not from Avnet. The used QSFT cables
19 are not from Avnet. The Generac system controller and
20 GTS system panel is not from Avnet. The DHA2E automated
21 rework system and toolkit is not from Avnet. The
22 200-volt slay crypto PUs are not from Avnet. The Brad -
23 - Brady I5-100 printer and two spools of labels, I do
24 not believe it's from Avnet, but you know, it's not
25 impossible. We -- we ask them to be the provider for

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1 that.

2 Q So let me interrupt our exercise here for --
3 there are some things that are just, I guess I would
4 call it -- I would say our office supplies are not
5 necessarily high end, FPGA or computer hardware, those
6 names. I don't know. There's not -- there's some non-
7 high-end stuff that is from Avnet. Is that accurate on
8 -- clearly from what you're answering?

9 A Yeah. If I was doing this, I probably
10 would've sorted the original spreadsheet by price and
11 gone through the high value items first, but we're,
12 we're going the way we are and we can probably just burn
13 through it.

14 Q There is -- there is price on some of the
15 schedules of some of these items, but the -- but there
16 are many, many items that were part of the asset
17 purchase agreement that are not on the schedule. So I
18 apologize, you know, that I -- I know what you're
19 saying, but --

20 A I'm happy to burn through it.

21 Q And again, if you want to look down the list
22 and kind of provide -- I think this initial part is --
23 sounds like these are more not from Avnet than are, so
24 if you want to just go through and identify things that
25 are from Avnet or -- but however, if you're fine doing

1 it this way, I'm fine with that too. I just -- you
2 know, I do appreciate that you're doing this. I know
3 it's -- it is what it.

4 A Yeah. I'll -- as I go through these, I'll,
5 I'll go and just identify things that either are maybe
6 from Avnet. On this page, nothing on this page is from
7 Avnet. All the way through down, miscellaneous, damaged
8 PCIE tables.

9 Q Yeah. Thank you. And -- and I would
10 appreciate in this kind of situation if you just put the
11 first and last items on the records so that the record's
12 clear, because we're looking at sections of pages.

13 A Yeah. 50 horsepower red fire pump through
14 miscellaneous damage, PCIE cables are not from Avnet.
15 The Molex hand crimp applicator 200218220A is from
16 Avnet. And otherwise, what's present on the screen
17 right now, everything from miscellaneous C13 cables
18 through LTR system tape rolls is not from Avnet. 11
19 Esther breakouts with PCIE cables, that's a combination.
20 Those are assembled from parts that may include Avnet.
21 Everything from rolling trash can -- through white
22 rolling 40-gallon trash can through -- through
23 approximately 732 common slot breakout boards is not
24 from an Avnet. The Acorn Nest X2G ready to ship is a
25 combination.

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1 Q Can you briefly describe when you -- when
2 something's a combination, what, what, what would be --
3 I mean, is that hardware purchase from other vendors or
4 --

5 A Almost everything that I'm describing is a
6 combination is basically a copper and fiberglass circuit
7 board on which a number of electronics components are
8 soldered, potentially with a heat sink added to it. In
9 that case, the copper and fiberglass circuit board is
10 not from Avnet. The heat sink or thermal solution is
11 almost entirely not from Avnet, but all the electronic
12 components on it, it's not guaranteed that all of them
13 are, but the majority of them are likely from Avnet.

14 Q Thank you. I appreciate that.

15 A Let me look through this. The -- so
16 everything from three pallets ladder racking down
17 through the Libre 10 fan dry cooler would not be from
18 Avnet. Thermal paste could be from variety of vendors,
19 including Avnet. The Jungle Cat JCC 4PV2 partial serial
20 numbers listed; those partially constructed boards would
21 be a combination. The pallet of miscellaneous single-
22 phase PUs is not from Avnet. The boxes of used vinyl,
23 tubing, and brass barbs are not from Avnet. The Juki
24 cart feeder is not from Avnet and the AMD epic server
25 blue light called Mushroom Hill is not from Avnet.

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1 Looking at this, everything from 632 gigabyte better PC
2 microSD cards down through cooling fin/BCU passive-used,
3 which is right following the GKGG5, serial number
4 6L123067, that entire section here is not from Avnet.

5 Q I appreciate how -- how you are making this
6 very clear for the record. Thank you for doing that.

7 A Yeah. There are some items that are
8 ambiguously named and may appear in similar naming other
9 places. So I'm trying to be --

10 Q I really do appreciate that. Thank you. You
11 can go ahead with this page when you're ready.

12 A Yeah. Everything from 1X small dry cooler
13 through Intel back plate, which is right below fan QFR
14 1212, is not from Avnet. Quantity 93 miscellaneous SMT
15 part trays, maybe from Avnet. Active FK heat sync used,
16 parenthesis heat sync, is not from Avnet. So on this
17 page, I'm going to point out a few items that are from
18 Avnet. But for the record, this page is from FF24NS,
19 parentheses four. Right above 120-millimeter fan
20 guards, black, down through screws steel -- excuse me.
21 Give me one moment here. Down through screws, steel, M2
22 5x5, on this section, the items, the box of 319 USB
23 cables did come from Avnet, and all other items did not
24 come from Avnet.

25 Q Thank you.

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1 A Okay. We are looking at the section from nest
2 risers used, followed by heat sink 4BCU, 22 millimeter
3 by 22 millimeter by 10 millimeter, down through Juki
4 nozzles, one blue bin, 15 cases. In this section, there
5 are two Molex crimp applicators that are from Avnet. And
6 that is the only item that's from Avnet.

7 Q I'm sorry. I lost where we were on the --

8 A Six box or -- sorry, Juki nozzles, one blue
9 bin, 15 cases was the end of the previous session.

10 Q Thank you, sir. I appreciate that.

11 A So we are going from six boxes, a hundred-foot
12 vinyl tube unopened, followed by six PDUs on test
13 stations down through FF24FS feeder followed by 24-
14 millimeter PEM, P-E-M, feeder. In that section, there
15 are approximately 100 SQRL breakouts taped that are a
16 combination. There are ten ESD mats that I cannot be
17 sure were not ordered from Avnet. Or to be more clear,
18 may have been ordered from Avnet, but I'm unclear on the
19 vendor. There are RFM4M and JCC2N prototypes, which are
20 a combination. And all other items are not from Avnet.

21 Q I'm going to put here on the record that you
22 are, are -- have provided a significant sampling of
23 these items. And what we're looking at now, I'm going
24 to call the -- I know there is some hardware items and
25 what we've looked at, but you -- I'm trying to think of

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1 a way to characterize what we look at.

2 A So what we are looking at is really --

3 Q If you could characterize it for me -- because
4 I'd like to move past -- because I think we've looked at
5 a good representative sample and into the more hard, you
6 know -- but go ahead. You were already doing it before
7 I started talking.

8 A Yeah. In the, in the creation of this list in
9 the first place, what we are looking at is the list of
10 production equipment. So tools and accessories that go
11 along with the production equipment as well as the macro
12 bill of material parts that are associated with cooling
13 or cooling assembly, the majority of which is not
14 provided by Avnet.

15 Q And Mr. -- I'm anticipating maybe an, an
16 objection for the record ahead of this question. But I
17 know that you are not an expert on this, but is it -- is
18 it fair to say that there is, there is value in the
19 items that are not from Avnet that we've discussed so
20 far, that is not de minimis value?

21 MR. MERKLIN: If you know.

22 A That's very broad, so value, yes. I'm
23 defining de minimus here.

24 Q Let's say, are these things that are -- that
25 were important in the -- in SQRL's business that -- to

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1 operate the business, even if they're not worth hundreds
2 of thousands of dollars?

3 A Yes.

4 Q Do you think that -- again recognizing that
5 you're not an expert, but also recognizing that you are
6 the principle for the business, that we've covered
7 \$10,000 in aggregate value with these different items
8 that we've talked about?

9 A I would say you've covered at least \$10,000,
10 yes.

11 Q And -- and I know that those are general
12 questions and if -- if more detail into that world is
13 required, I think that can be appropriately addressed by
14 other parties at the time. But I do appreciate your,
15 you know, getting kind of a general understanding of
16 what's going on there. I'm going to move to, I think,
17 the next section of the -- I think there's like a change
18 in the way that it looks.

19 A It turned blue.

20 Q Okay. It turned blue. So this is -- I think
21 that at this point it's going to be easier to identify
22 things that did not come from Avnet. Because my
23 understanding is that the vast majority of these items
24 came from Avnet. Could you provide us a general
25 understanding of what the change is -- we've skipped

1 about, for the record, 10 pages in the APA, probably
2 another 100, 150 items that were part of the previous
3 topic that we discussed. So what are we looking at now,
4 Mr. Stanfill?

5 A This is the list of items that were considered
6 electronic components, that were used for the production
7 of electronical circuit boards. (Inaudible) --

8 Q And is it fair to say that these were the
9 higher value portion of what would be, I know that's a
10 general question, but of all of all would be sold in the
11 sale?

12 A Yes. These represented the vast majority of
13 our cost of goods sold bill of materials.

14 COURT REPORTER: And I'm sorry, Mr. Sisto,
15 you're muffling a lot.

16 MR. SISTO: Sorry. Thank you for letting me --
17 I don't know, what's going on with that. I'll try
18 to --

19 COURT REPORTER: It's more towards the end of
20 your question.

21 MR. SISTO: I feel like I back away at the end
22 of my question. As if we were in person, I was
23 trying - - I'm trying to give him space to answer.
24 So thank you. I'll just keep leaning -- leaning in.

25 COURT REPORTER: Thank you.

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1 BY MR. SISTO:

2 Q Mr. Stanfill, is there anything on this page
3 that did not come completely from Avnet?

4 A I'm not going to be able to definitively
5 answer that without, you know, consulting our -- our
6 sourcing for every individual part number of which there
7 are hundreds, and I don't have in my memory. I can aid
8 you in this by indicating that nothing on this page of
9 value to my knowledge is not from Avnet. Of significant
10 value.

11 Q Okay, let's define significant value as
12 something that would be over \$1,000, all right? Because
13 there's lots of items here, so they might aggregate to a
14 significant value even if --

15 A Yeah, keep it -- sorry, I didn't mean to cut
16 you off. Keep in mind that for electronics components,
17 you know, some of these reels of components might
18 contain 200,000 items the size of a grain of sand. The
19 aggregate value of which is significant, but the
20 individual value is fractions of a cent.

21 Q Exactly. So I mean, I would be interested to
22 know if the aggregate value was significant, even if the
23 -- even if the grains were not significant in and of
24 themselves. And if they were not something that you
25 purchased from Avnet, does that -- you understand what

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1 I'm saying, right?

2 A Yes. Yes.

3 Q So the last item for the record was A4 215+
4 revA4. And the first item on the new display, and just
5 for the record this is page 66 of document 124 on the
6 record in the case, the new -- the first new items
7 A4215A4. Are there any items on this page that were not
8 wholly provided by Avnet?

9 A So there are three items that begin with
10 MT25QU. They're slightly different, but they're the
11 only items on this page beginning with MT25QU. Those
12 may have been provided by Avnet, but it was fairly
13 common that those would be provided by Arrow as a
14 vendor.

15 Q Are those items of value?

16 A Those are items of value on a individual and
17 aggregate basis and I think that's about it.

18 Q Recognizing that you're not an expert
19 necessarily, whether you have, you know, industry
20 exposure, clearly. Could you do a ballpark of just kind
21 of the at cost value of those items?

22 A Let's say that they may be as high as \$10 a
23 piece depending on market circumstances.

24 Q So I'm looking at the one in light blue
25 shading fourth from the bottom, MT25QU512. Do you see

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1 the one I'm referring to?

2 A Yes.

3 Q It's 22,500 units?

4 A Yes. And depending on exactly when those were
5 purchased, they could have been worth, from my
6 recollection, anywhere from -- from \$3 to \$4 to about
7 \$10 in range. So that would be --

8 Q A \$100,000 to \$250,000 it could be
9 potentially?

10 A Potentially, yes. Additionally --

11 Q Go ahead.

12 A -- additionally the LTC7150, all parts of
13 LTC7150 would've -- are not on Avnet's line card and
14 would've been from Arrow. Those may be a couple dollars
15 each. You have 6,782 of those, so for privative, that
16 may be \$20,000 there.

17 Q Okay. Let's just like we did for the last --.
18 Let's go through -- I'm not going to go through every
19 single page, but let's -- and of course if this became
20 an issue in the case, we would have to do that in some
21 form, but let's just get a sample kind of like we did
22 and I won't make you go through everything. But let's
23 do a couple more pages, thank you.

24 A No problem.

25 Q I'll read it is, beginning with LTC360,

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1 3636EUF D and then it ends with SI53340. Go ahead. Thank
2 you.

3 A Yes. On this page, the LRC3636, the
4 MT25QU512, I'm using just the first few characters and
5 the SI53340, those parts may be -- either may be or are
6 highly likely not from Avnet.

7 Q And would there be some value for those parts?

8 A Yes, it would be, you know, it looks like
9 maybe \$15,000 for the LTC3636. And I -- these price
10 estimates are -- are, you know, ballpark recollections.
11 I could be off plus or minus --

12 Q I understand, I appreciate that, but yeah.
13 I'll put that on the record myself, that I'm asking you
14 for ballpark estimates. That's -- that's all I'm
15 asking.

16 A Yeah, it might be \$25,000 -- probably \$20,000
17 of the MT25QU512. And the SI5340-B might be \$10,000.

18 Q That's what I thought it was the last one we
19 looked at so. All right we moved down to MCP9804 is the
20 first item, and then HTB0750 is the final item. This is
21 page 57 of the asset purchase agreement.

22 A So in this case the SI53305-B-GM would be the
23 only item I see on this page.

24 Q Would that have any value?

25 A That might be -- there's 1,325 of them, so

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1 collectively that might be 6,000 or \$7,000.

2 Q Thank you. I'm just going to the next page.
3 The first item will be 9774025151R, and the final item
4 is CM3440Z171R.

5 A I'm reviewing this list. I don't see any part
6 numbers on this list that would commonly have been
7 purchased from anyone but Avnet.

8 Q Let's scroll down to an item that begins
9 ASDMPLV. And the final item is CRCW0201249RFNED.

10 A These all appear to be items that would come
11 from Avnet.

12 Q Moving on to page 69 of the asset purchase
13 agreement. First item L39050PUT5R, and the final item
14 is MAX34406TETG+.

15 A On this page, the SI5345A-DGM, there's only 75
16 of them so it's de minimis value, but that would not be
17 from Avnet. The GPU-AP-B and GPU-AP-RA might be
18 collectively \$6,000, that's not from Avnet. And the
19 LTC3636EUFT, 219 of those, so maybe \$1,000. That would
20 not be from Avnet.

21 Q Let's do -- let's do two more pages and I
22 think we'll have had a nice sample. And I appreciate
23 you -- you engaging in this exercise with me here. I've
24 scrolled down to the first item. C0402 are the first
25 five digits, and then LTC6908CS6 is the final item on

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1 the page. This is page 69 of the asset purchase
2 agreement.

3 A I believe only that final item, the LTC6908CS6
4 as a -- as a LT part that Avnet can't supply. There's
5 476 of those that may be less than \$1,000 value.

6 Q Moving on to page 70 of the asset purchase
7 agreement, the first item begins 20021111. The final
8 item on the screen currently is UCL1C102 are the
9 beginning digits.

10 A The only item I see on this page is the
11 LTC4413, there's about 200 of them. It's less than \$500
12 value.

13 Q I've scrolled down on the page to an item
14 BML31 is the first five digits. The final item on this
15 page AON7400A.

16 A These all appear to be part numbers we could
17 source from Avnet.

18 Q So Mr. Stanfill, thank you for going through
19 it again, I think that's a good sample. I won't -- we
20 would be here for a long time if we went through every
21 single one of these items. It's fair to say that the
22 vast majority of the value -- let me -- let me be more
23 clear on what I'm saying, because vast majority could be
24 defined in different ways. But clearly the majority of
25 the value of the things that were sold to Instantiation

1 in the bankruptcy case were originally sold too
2 Squirrels Research Labs by Avnet, correct?

3 A Yes. I would agree with that statement.

4 Q And it is also true, based on what we've just
5 been through and recognizing it was a sample, that it's
6 likely that at least \$100,000 and possibly up to a half
7 a million dollars maybe somewhere -- and I know it's a
8 broad range, but worth of value of things were -- were
9 things that you Squirrels Research Labs did not
10 originally purchase from Avnet, is that accurate?

11 MR. MERKLIN: Objection. You may answer.

12 A I find that range plausibly accurate.

13 Q Thank you.

14 A You know, without definitively reviewing every
15 item.

16 Q Okay. Thank you. Let's talk about the sale a
17 little bit then. When did you first learn about
18 Instantiation as a company?

19 A March of 2021.

20 Q That's -- I believe that's when Instantiation
21 was formed. Does that sound right?

22 A I'm not intimately familiar with its
23 formation, but that's when I first learned of it.

24 Q That's fine. Did you -- do you have -- you do
25 -- you have no ownership interest in Instantiation,

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1 correct?

2 A No.

3 Q You -- and I should be clear. Neither of you
4 personally, David Stanfill nor Squirrels Research Labs
5 as a company ?would have any kind of interest in
6 Instantiation?

7 A No.

8 Q What was the context where you learned, you
9 know, found I guess, Instantiation or Instantiation
10 found you, you meeting Squirrels Research Labs.

11 A I was engaged by a gentleman on Discord who
12 was -- had first reached out to our customer support
13 representative and then wanted to talk to me about
14 potentially purchasing some hardware. And I -- I'm
15 blanking on his full name, but his first name's Dan. And
16 I ended up having some phone calls with Dan to hear
17 about why he was interested in purchasing the hardware
18 and his background. And he introduced me to Sam Cassatt
19 who is the -- was the founder to my knowledge of
20 Instantiation. And that was, you know, that was how the
21 introduction was -- was initially made.

22 Q So Sam Cassatt is the person that you
23 primarily dealt with about Instantiation?

24 A Yes, I -- I initially dealt through Dan and
25 then my understanding is they had a falling out and then

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1 I dealt directly with Sam.

2 Q Was -- to your knowledge, was Instantiation in
3 business prior to -- or, you know, prior to you being
4 involved with -- that's not the right way to put it.
5 Prior to your communications with Instantiation, did
6 they have -- did they have any business?

7 A I'm not aware of -- intimately aware with
8 their business operations to answer that.

9 Q You don't -- you do not know whether or not
10 they were -- they were formed. That happens all the
11 time in bankruptcy. I mean, you know, whether they were
12 formed to -- in order to purchase the assets of Squirrel
13 out of -- out of bankruptcy.

14 A I don't -- I don't believe that that was the
15 case, no.

16 Q You don't. So you -- they -- you think they
17 did have other business other than that prior to their
18 formation?

19 A Yes. When I was -- when I was first in
20 contact with Sam Cassatt, they were interested in buying
21 hardware, potentially buying a lot more hardware in
22 starting a data center, crypto currency mining
23 operation.

24 Q So initially your conversations were -- with
25 them were as a customer for Squirrels Research Labs?

1 A Yes.

2 Q And obviously that changed because we, we as
3 we know, Squirrels Research Labs has sold the majority
4 of it -- that's to Instantiation in the bankruptcy case.
5 When did that -- when did that conversation begin?

6 A So in the conversation about them becoming a
7 customer and purchasing an additional reasonably large
8 purchase of hardware. At the same time Squirrels
9 Research Labs was doing its private offering and
10 potentially seeking investment or sale having just had a
11 sale that had failed to go through. And it -- in those
12 conversations I introduced myself to Sam. Became aware
13 of his background and potential, and frankly became
14 aware that he may have the capital to potentially be a
15 big investor or buy the company. And so I shared with
16 him what we were trying to do and petitioned him for a
17 potential investment. He took that under advisement at
18 the time, but didn't take any action towards it, just
19 made the initial hardware purchase and, you know,
20 basically kept the communications open to potentially
21 look into the company further for potential investment.

22 Q And when -- what is the timeframe where he
23 made that? I don't have the banking records from --
24 from this time period. What is the timeframe that --
25 that Mr. Cassatt made the purchase of just hardware as a

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1 customer, it sounds like?

2 A Yes. His initial purchase of hardware as a
3 customer was made in, right at the end of March of 2021.

4 Q And when I'm saying he, we're talking about
5 Mr. Cassatt, but that's in his role with Instantiation,
6 not him personally, right?

7 A Yeah. Instantiation made the purchase. There
8 were -- there were other parties associated with
9 Instantiation involved in that.

10 Q Did you -- did you ever know Mr. Cassatt prior
11 to March of 2021?

12 A No, I did not.

13 Q Did you maybe not know him personally, but
14 know of him as being someone else in kind of your --
15 your general industry?

16 A I'm not really big on celebrities, so I really
17 didn't.

18 Q Is he a celebrity?

19 A He's one of the very early people who created
20 -- or was one of the three people who started the
21 company Consensus. Consensus effectively created
22 Ethereum as it is today.

23 Q Okay. So it's fair to characterize him as a -
24 - as a niche celebrity within the world of folks who
25 know a lot about cryptocurrency.

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1 A Yes. In certain circles he -- I've learned,
2 you know, he speaks at certain conferences and has some
3 certain level of following, I guess you would say.

4 Q And I'm sure that -- that provided him with
5 credibility with you as far as someone to do business
6 with?

7 A Yes.

8 Q Okay. Is that -- is there -- is there an
9 issue in this industry generally? I'm trying to say
10 that without casting aspersions, there certainly are in
11 my industry maybe. But are there issues where you maybe
12 need to -- to do homework on someone you're going to be
13 doing business with due to the kind of the nature of the
14 business?

15 A Hindsight is 2020. Absolutely. This is an
16 industry full of snakes.

17 Q Thank you. That's a -- that's one way of
18 putting it. I wasn't going to put it exactly like that,
19 but I mean, lots of -- lots of industries are. And do
20 you think that's due to kind of the nature of
21 cryptocurrency as maybe unregulated a place where people
22 are both making and losing a lot of money is -- might be
23 attracted to that, you know, is --

24 A I've always attributed it to the, there's an
25 opportunity to potentially get rich quick that attracts

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1 a certain character. There's also a very short distance
2 between the activity you undertake and how much revenue
3 you make. It tends to attract people that are very
4 focused on the bottom line, above all else, in operating
5 their businesses or so-called businesses.

6 Q So -- and so we -- the initial hardware
7 purchase from Instantiation was in March 2021. Do you
8 remember how much was sold to them?

9 A It was 870 units. I know just from -- from
10 having to go through a bunch of audit records. I don't
11 recall the cash dollar amount, but it would've been in
12 the ballpark of 870,000.

13 Q Is it -- is it a substantial sale?

14 A Yeah, it was. Yeah, it was a substantial
15 sale.

16 Q And they were -- they received all the product
17 they purchased?

18 A Yes.

19 Q Okay. And they fully paid you for -- for what
20 they -- for what you sold to them?

21 A Yes.

22 Q So when did -- and I'm sorry if any of these,
23 so already covered this, but I just -- we're kind of on
24 a timeline. When did the conversations with them shift
25 to where they might actually purchase all of squirrel --

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1 Squirrel Research Labs? Pardon me.

2 A So we have had some casual discussions about
3 potentially investments or acquisitions near the
4 beginning. Those conversations basically went cold and
5 then I reached back out in, exact timeline I think
6 would've been probably in the August 2008 timeline. As
7 the company was -- was hitting some financial struggles,
8 I reached back out to say, "Hey, is there something that
9 we can do here?"

10 Q And just to be clear, you said August 2008, I
11 think you meant August 2021.

12 A August 2021. You are correct.

13 Q That's all right. That's all right. I'm just
14 as capable of slips of the tongue, most people are. So
15 I appreciate it when people help me out sometimes too.
16 Okay. And when -- so obviously -- and you know, I think
17 as in the role, you're the president of this company.

18 A Yes.

19 Q And obviously you have to make the final
20 decisions. Some of the territory I'm going to be asking
21 you about I think is fair game as far as you had to make
22 these decisions as the businessman yourself. But I
23 don't want you to -- to divulge information that might
24 have been legal advice, okay? But -- but to the extent
25 that you got business advice, not from an attorney, or

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1 had to make I think that's fair game. I'm sure you will
2 -- you know, I'm trying to do this, be upfront about
3 when you made these decisions. I'm sure some of it was
4 under advisement by attorneys. But when did you decide
5 it was in the best interest for Squirrels Research Labs
6 to file for bankruptcy?

7 A We became a -- from a business operation
8 standpoint, we began expecting that we may not have an
9 alternative. I would phrase it that way. Around July
10 1st, half of July of 2021, that is when we made
11 shareholder communication that we did not think that
12 based on the complete stalling of the supply chain on
13 the silicon and semiconductor side, that we were going
14 to be able to substantially continue operations and meet
15 our obligations to creditors, our debt obligations. And
16 we are -- I solicited our ownership group for
17 authorization to pursue conversations around the sale of
18 the company or file a Chapter 7 or Chapter 11 bankruptcy
19 to support the -- basically handling of the
20 circumstances as they were.

21 Q Why did you choose to use Chapter 11 as
22 opposed to Chapter 7?

23 MR. MERKLIN: If you could answer that without
24 disclosing attorney-client privilege.

25 A Yeah. I would say I can't -- there are a

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1 multitude of factors, but I can't say that I can answer
2 that without disclosing professional conversations.

3 Q So you had -- you had engaged Brouse McDowell
4 for advice by that -- by that point in time when you
5 were at that point of the decision-making process?

6 A I'm going to -- if you don't mind, I'm going
7 to ask Marc a question on the record. Is it -- is the
8 time point at which we began engaging legal
9 professionals considered privilege?

10 MR. MERKLIN: No, you can -- you can indicate
11 when you began it. It's fine. I'm not going to
12 object to the dates.

13 A We had, initially had a brief conversation
14 with Brouse McDowell in spring of 2021 prior to engaging
15 in our private round. To analyze as to give context, we
16 had enacted a transaction which you're certainly aware
17 of in this case with FDL D to sell 51 percent of the
18 company in January. Executed that. They did not follow
19 through on that transaction. Reliant -- business
20 reliance on that transaction being legitimate had left
21 us with limited time and options to come up with some
22 other alternatives. We, in exploring those other
23 alternatives engaged briefly with Brouse McDowell for
24 consultation at that time. Did not take any action or
25 formally move forward Brouse McDowell at that time. And

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1 re-engaged them once the circumstances had kind of
2 returned to that kind of dire condition.

3 Q Thank you. When you were -- so -- you --
4 instantiation you had some informal conversations with
5 them about, or they are for -- I don't mean I -- we
6 really need to characterize. There have been some type
7 of preliminary conversations, maybe they want to do more
8 than just buy, you know, make a big hardware purchase.
9 And then -- then in August when, you know, you realized
10 the company was in dire straits, that's when the
11 conversation got serious with Instantiation about them
12 purchasing the assets. Is that right?

13 A Yes. The initial conversation was, I would
14 say, more positive and upbeat in the spring of, "Hey,
15 maybe you want to invest us or purchase us for a lot of
16 money for all the equity holders and everybody's
17 benefit." The conversation in August would -- was more
18 of, "Hey, we're in a tight -- we're in a tight spot. Do
19 you still have interest in this company?" Where --
20 where we need to engage with Avnet as our -- I'm
21 assuming you will get to that so I'm just going to say
22 Avnet in the position they were in, and we needed to
23 engage with them. And I thought it best to have those
24 business conversations with at least a -- I'm going to
25 use stocking horse in a non-bankruptcy stance here. At

1 least a stocking horse buyer and an investor, so that
2 Avnet didn't just immediately pull up to the truck and
3 try to take all our stuff.

4 Q So was there -- was there ever thought of to
5 trying to proceed with Instantiation -- Instantiation
6 ended up being the -- and I'm using a bankruptcy term,
7 the Debtor-in-Possession lender. And you know, often in
8 bankruptcy you see the secure lender, or the secure
9 creditor actually does the -- not always. But was there
10 ever a thought that this could be done without Avnet's
11 consent or -- or direct participation?

12 MR. MERKLIN: Again, if you can answer without
13 disclosing attorney-client privilege.

14 A I will say from my personal professional
15 business judgment, I never believed that we would be
16 able -- I always believed that having got business
17 circumstance, our first order was to call Avnet and get
18 them to the table. And everything else was secondary to
19 that.

20 Q Avnet is a -- is a big player in this
21 industry; is that right?

22 A Yes.

23 Q Are they -- are they the biggest hardware
24 supplier for -- for FD -- it's FPGA right, or
25 cryptocurrency mining equipment generally (Inaudible)?

1 COURT REPORTER: So your last -- last part of
2 your question went out, Mr. Sisto.

3 MR. SISTO: Sorry.

4 BY MR. SISTO:

5 Q Mr. Stanfill, if you -- I'd appreciate if you
6 could kind of with your knowledge base of this industry,
7 maybe just describe a little bit about Avnet's standing
8 in this industry, if that makes sense.

9 A Yeah. So Avnet is a -- a major, whether
10 they're the largest at this moment in time, you know, I
11 think it shifts and they're -- they compete on a
12 quarterly basis, Avnet and Arrow Electronics. But they
13 are one of the largest and often the largest electronics
14 component distributor. And also distributor for Xilinx,
15 which has recently been purchased by AMD. But prior to
16 their purchase by AMD, Xilinx was the largest FPGA
17 vendor. Neither Xilinx nor Avnet, at the time Xilinx
18 you could argue does a little bit more now, were
19 actually active in the cryptocurrency world directly
20 themselves as first parties. They sold basically
21 general-purpose raw components. But in order to be in
22 the business Squirrels Research Labs was in, you needed
23 to have a relationship with Avnet.

24 Q It would've been very difficult to have a
25 successful business if there wasn't a -- at least a

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1 working relationship with Avnet. Is that a fair
2 characterization?

3 A Yes.

4 Q And not just for Squirrels Research Labs, but
5 if any -- if any -- if you had any competitors or
6 basically anyone else doing what -- what Squirrels
7 Research Labs did generally?

8 A Yes.

9 Q Okay. When -- when you testified at the 341
10 meeting about my client, Carl Forsell -- I'm kind of
11 shifting gears a little bit here. It was -- I'm -- I'm
12 not trying to get into the background of, the back and
13 forth with the refund request or that kind of thing but,
14 you were -- you acknowledged fairly directly that --
15 that yes, that that money was owed. That the amount of
16 the claim we filed just under \$750,000, but -- but he
17 wasn't listed as a creditor initially on -- on your --
18 on the bankruptcy petition. I mean, can you explain the
19 discrepancy there?

20 A Yes. And allow me to clarify to the extent
21 that I can clarify. Allow me to clarify the statements
22 I made in the 341 meeting, which may have been made too
23 off the cuff. We did not dispute and -- and agree on
24 the dollar amount that Mr. Forsell -- the unrefunded
25 dollar amount that Mr. Forsell had paid to Squirrels

1 Research Labs. There was still a contest -- a basis of
2 the claim being contested. And I suppose is, although I
3 don't think it's front and foremost at this point in
4 that while Mr. Forsell had paid this amount, he was,
5 from our perspective, never legally entitled to a
6 refund. He was entitled to product that was non-
7 cancelable, non-returnable billed to order. You know,
8 basically sold as no refunds. He refused shipment on
9 the product and we did work with him to try to get him a
10 refund, but from a strictly legal basis, it was
11 contested because he wasn't entitled to that cash and a
12 refund. He was entitled to product he refused shipment
13 on.

14 Q Again, I don't want to dwell on this either,
15 but as you acknowledge that we've somewhat moved on from
16 it, but it is fair to say that some folks who purchased
17 product -- this was in the initial when Squirrels
18 Research Labs was first founded, payments, I believe
19 received in June prior to Squirrels Research Labs even
20 having its own account. And there were folks who --
21 other folks who were displeased with the speed of their
22 shipments who were given refunds from that same
23 timeframe that Mr. Forsell made his substantial
24 purchase. Is that correct?

25 A Yes, I have acknowledged that.

1 Q Yeah, I thought. And I know that's been
2 discussed before. I just wanted to kind of clean that
3 up since we've been doing a little bit of back and forth
4 here on it. And that I believe the vendor was for that
5 particular customer, you know, who is my client now in
6 the case was All Mine. Is that right?

7 A I believe your client made multiple purchases,
8 at least some of which were through Allmine. I don't
9 know if all of them were through Allmine.

10 Q I don't have it as -- it's been filed in the
11 case and I could pull it up probably after the break if
12 we needed to look at it, but there was a statement that
13 you made on Discord that you did say there would be a no
14 refunds policy moving forward, but that the initial
15 sale, that there would be refunds given for the initial
16 sales. Right? Did you make that statement on Discord?

17 A I don't recall any details or context.

18 Q Okay. But we can circle back to that and I
19 don't think we'll need to dwell on it beyond that, but
20 I'll -- it'll be a simple -- it's a simple document and
21 in fact, we attached it to a pleading earlier in the
22 case so it won't be anything, I think, that should come
23 as a great surprise. All right. I've kind of come to
24 the end of this portion. Do you folks mind if we break
25 early and Mr. Stanfill, I appreciate your -- I think

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1 what I'm trying to say is I don't think we'll have to go
2 for too much longer after the break. I appreciate --

3 MR. MERKLIN: I'm fine to break now if you
4 want. I'm fine, Bryan, if you want to take the
5 break right now.

6 MR. SISTO: All right. So we'll reconvene at
7 1:00.

8 COURT REPORTER: Sounds good.

9 MR. MERKLIN: Do you want to -- do you need all
10 50 minutes, or you want to convene -- whatever you
11 want.

12 MR. SISTO: I could do ten till just to keep
13 things moving.

14 MR. MERKLIN: That's fine with us.

15 MR. SISTO: Okay, well let's break then. Thank
16 you.

17 (OFF THE RECORD)

18 COURT REPORTER: Okay. We're back on record.

19 MR. SISTO: Thanks. We're just reconvening
20 after lunch here.

21 BY MR. SISTO:

22 Q Mr. Stanfill, we were discussing a bit of the
23 process that my client, Carl Forsell, and kind of
24 similarly situated buyers of the FGPA, FPGA's hardware
25 back in mid-2018 and I had referenced a Discord. I just

1 wanted to -- there it is. This is something that we
2 filed as part of a response to the objection to our 2004
3 requests. And I'm looking at the -- this is again on
4 the docket in the case already. We can call it -- let's
5 just call it exhibit one in the deposition. Do you see
6 on the -- first of all, is this your handle on Discord?

7 (EXHIBIT 1 MARKED FOR IDENTIFICATION)

8 A Yes.

9 Q These are your statements?

10 A Yes. These appear to be, from what I can see,
11 statements that were made by me under my handle.

12 Q So the initial round and that you kind of had
13 to get up and go in quickly, as we've discussed earlier,
14 were sold in, I think May, June, maybe of 2018. And
15 those would be the ones under the August ship date. That
16 was going to be kind of the first big shipment from
17 squirrel's research labs; is that correct?

18 A Yes. Our vendor had committed us an August
19 ship date and the sales took place in June and July.

20 Q Do you see where on the third down -- another
21 here on your Discord when you're communicating -- I
22 mean, did you use this Discord to communicate with
23 customers of Squirrels Research Labs?

24 A I did. I would say that I used the Discord
25 the same way one might use their personal telephone,

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1 both called in for business purposes and for personal
2 discussions, but these posts do appear to be me speaking
3 on behalf of the debtor, Squirrels Research Labs.

4 Q Of course, I'm not asking you to draw a legal
5 conclusion or I'm not asking -- you know, I'm not trying
6 to imply that you're providing a legal conclusion, but
7 you do acknowledge that you made a statement. I'm
8 talking about the middle sentence of the third kind of
9 block of text down on this page. If you purchase from
10 the stock sold under the August ship date, you have the
11 right to request a refund. Is that accurate?

12 A Yes. Without having context around this
13 message of which specific products we're referring to, I
14 acknowledge that statement.

15 Q Well, that's not the refund stock, is it?

16 A No, no. This appears to be referencing the
17 products due for August shipment. However, I will
18 clarify for the record that there were multiple
19 different products that we were selling in the June and
20 July timeframe and the refund provisions for those were
21 different.

22 Q Fair enough. At this point, again, I'm just
23 asking you to confirm that's your statement and that's
24 fine. Thank you.

25 A Yes.

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1 Q The next exhibit is something that is part of
2 the docket. It is not one of the ones I sent over
3 previously, but this is an attachment to the Carl
4 Forsell's proof of claim. So we're looking at an
5 invoice that -- and just for the record, my client, Carl
6 Forsell, purchased hardware under the name Nunce Limited
7 there, the bill to name. Does this look like the kind
8 of invoices that were sent out for the purchase of this
9 first round of equipment for Squirrels Research Labs?

10 A I didn't personally send the invoices, but
11 from viewing this document, it looks like the type of
12 invoice that may have been sent out at that time.

13 Q And you see that the date is June of 2018.

14 A Yes.

15 Q So that would've been part of the very early
16 business activity that we're discussing as far as
17 Squirrels Research Labs, correct?

18 A Yes.

19 Q And it's on Squirrels LLC letterhead with a
20 Squirrels LLC designation. And what's the reasoning
21 behind that, or why is that the way it is?

22 A I can't say that I have a definitive answer to
23 that, but as I mentioned prior, the Squirrels LLC
24 accounting staff was being contacted by Squirrels
25 Research Labs to handle this kind of invoicing and

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1 processing.

2 Q And I'm sorry if I neglected to say this
3 prior, but this will be Exhibit 2 for this 2004 exam.
4 And I'm probably just going to submit the page that we
5 looked at as the exhibit.

6 MR. SISTO: If that's fine with you, Marc.

7 (EXHIBIT 2 MARKED FOR IDENTIFICATION)

8 MR. MERKLIN: Yep.

9 BY MR. SISTO:

10 Q All right. Let's move to -- this was an
11 exhibit that was sent over prior to the 2004 exam, so
12 I'll use its exhibit number under that designation. This
13 is going to be Exhibit 24. It's a profit and loss
14 statement for 2018 by month for Squirrels Research Labs.
15 Mr. Stanfill, is this document accurate for what I've
16 just represented?

17 (EXHIBIT 24 MARKED FOR IDENTIFICATION)

18 MR. MERKLIN: You're asking him if that's what
19 the document is?

20 MR. SISTO: Yeah. Thank you for clearing that
21 more elegantly than I did.

22 BY MR. SISTO:

23 A Yes, it appears to be, and by all rights,
24 looks to be January through December of 2018 Squirrels
25 Research Labs profit and loss by month.

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1 Q So June 2018, we see a total income of
2 approximately for seven million against the total cost
3 of goods sold of over 13 million resulting in a gross
4 profit of negative 6.7 million. Is that accurate?

5 A This appears to be on an accrual basis, so on
6 an accrual basis, that would be accurate.

7 Q And I know we've covered a little bit of this
8 before, but I'd appreciate it in this context if you
9 could describe generally what was going on that, you
10 know, is underlying these numbers at the time.

11 A Yeah. So based on order interest and volume
12 in June 2018, we placed the order for particularly the
13 BCU boards, which is representing the majority of the
14 activity here in June. We placed the order for the BCU
15 boards to Avnet in the amount of effectively 13,342,000.
16 It might be a little bit less than that, but it's the
17 vast majority of that purchase order. So you're seeing
18 the whole value of the order reflected here despite the
19 balance not actually being too -- until Net 30 after
20 shipment. And then we took in and made -- we made that
21 order at that size based on having received at least 50
22 percent of the initial down payments for that.

23 Q Obviously, when we looked at the bank
24 statements earlier, we didn't see anything near 6.7
25 million coming in to Squirrels Research Labs at that

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1 time and that's because the Squirrels Research Labs
2 accounts were yet.

3 A Yes.

4 Q So would that money have then come into
5 Squirrels LLC at that time?

6 A Yes. It would've flowed in through channel
7 partners to Squirrels LLC, and there was effectively a
8 mad dash to reserve the inventory and get this initial
9 50 percent payment to Avnet, so all those funds were
10 gathered together as quickly as possible and wired to
11 Avnet to reserve the inventory.

12 Q So obviously, Squirrels LLC was holding a
13 significant portion of Squirrels Research Labs funds.

14 A Yes. I believe I testified earlier that I
15 thought that in total, about 9.5 million transacted the
16 Squirrels4 LLC account.

17 Q So we saw on the bank statements that
18 Squirrels LLC received payment from Squirrels Research
19 Labs over time. There were amounts that were simply --
20 how do I put this? So some of the funds that Squirrels
21 LLC held onto were just held onto by Squirrels LLC
22 because they would've been due regardless by Squirrels
23 Research Labs.

24 A Not -- I don't --

25 Q Let me clear it up. All the cash didn't flow

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1 through Squirrels Research Labs on its way back to
2 Squirrels LLC. Some of it just simply remained with
3 Squirrels LLC; is that correct?

4 A Yes. For that time period, that is correct.

5 Q Was there -- I mean, we can see from the bank
6 ledger, you know, the payments that were made to
7 Squirrels LLC. Were the payments that were kind of
8 withheld by Squirrels LLC as they would've been due to
9 them anyway, were they separately accounted for in any
10 way?

11 A I don't have intimate knowledge of that
12 accounting. We have -- again, on behalf of your
13 request, we have requested that and I expect that all of
14 that should -- Squirrels LLC operates a professional
15 business that's professionally accounted. I expect all
16 those records to be produced.

17 Q Do you have any continued involvement
18 Squirrels LLC?

19 A I'm effectively a board member. I haven't had
20 day to day involvement in the business since 2019.

21 Q Do you know why this -- you know, this could
22 have to do with the accounting here, but in July 2018,
23 we see a profit of over 8 million because there's a
24 negative entry on costs of goods sold. Do you know what
25 happened there?

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1 A I know only incidentally from reviewing
2 Squirrels Research Labs underlying finances that there
3 was a journal entry made to reflect the second half of
4 the payment to Avnet that was then backed out because it
5 was improperly recorded.

6 Q So at the end of the year, the first year,
7 this is from June. It was formed in May 2018, as we
8 discussed earlier, it being Squirrels Research Labs,
9 LLC. We show a gross profit of negative 1.3 million
10 over the year. Is that accurate?

11 A I believe that's accurate. Yes.

12 Q And I've scrolled down to the bottom here of
13 the profit and loss statement so we can't see the column
14 heading, so let me kind of go back up. This is -- I'm
15 looking at the right-hand column, which is the total
16 column, not the month-to-month column and the way the
17 net income was accounted for is negative 3.1 million.
18 Does that sound correct to you?

19 A Yes. It looks like that accumulates the
20 exchange gains -- currency change gains or losses in
21 addition to the straight-line P&L loss.

22 Q Yeah. I remember that you testified at the
23 341 meeting that there were significant losses for
24 Squirrels Research Labs in the fluctuations of the
25 cryptocurrency market because customer funds were being

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1 held in cryptocurrency accounts and then there would be
2 -- you know, the market would fall before they were
3 converted to Fiat currency. Is that correct? And I
4 think you said over a million dollars lost.

5 A Yes. If you were to scroll down, the total
6 cryptocurrency conversion loss looks like about 1.47
7 million on this report. Yes, and that was primarily
8 funds. Most of the cryptocurrency sales -- I referenced
9 that we used channel partners. Most of the sales paid
10 for in cryptocurrency were paid through for the --
11 through the minority channel partner and that partner
12 had held on to cryptocurrency payments for an extended
13 period of time before remitting them to Squirrels LL --
14 or Squirrels Research Labs, which significantly
15 contributed to the loss.

16 Q Which partner was that?

17 A That was minority.io.

18 Q Did -- they converted it to Fiat currency and
19 transferred it to Squirrels Research Labs, or it was
20 transferred to Squirrels Research Labs as
21 cryptocurrency?

22 A It was transferred to Squirrels Research Labs
23 as cryptocurrency.

24 Q Are they -- is there accounting for the
25 cryptocurrency generally? I mean -- I'm sorry. This is

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1 accounting for generally. What I meant to say is there
2 a specific account ledger for the way those transactions
3 played out?

4 A So we later had a legal dispute with
5 minority.io about this. To my recollection, there may
6 have been some records exchanged during that, but
7 Squirrels Research Labs in general, did not have direct
8 access to minority.io's accounting records or internal
9 accounting of cryptocurrency.

10 Q You just took their word for it that they were
11 paid a certain amount and then the losses were passed to
12 Squirrels Research Labs.

13 A We received a report on the number of sales
14 that had been transacted, but we didn't have -- to my
15 knowledge, we didn't have, like, audit level access to
16 confirm any of this information. As I mentioned, again,
17 because we're both effectively looking at this from the
18 same perspective as I'm the representative of the debtor
19 also looking at potential opportunities for recovery. We
20 later had a legal dispute with minority.io. The use of
21 the cryptocurrency funds and the timing of the crypto
22 currency funds transfers was one of the topics of that
23 dispute.

24 Q Okay. Did Squirrels Research Labs do any of
25 its own cryptocurrency investing?

1 A The general answer is no. This was not an
2 ordinary course of business activity of Squirrels
3 Research Labs. I believe I made some statements in the
4 341 meeting that in summer of 2021, there was a period
5 of time in which we placed certain funds in defi
6 mechanisms to allow us to borrow against them without
7 cash filling out the underlying currency, which could be
8 effectively viewed as investment activity for the
9 purpose of stretching cash flow and trying to stave off
10 the bankruptcy. But it was not historically any part of
11 Squirrels Research Labs ordinary course of business.

12 Q As we've detailed and several times, Squirrels
13 Research Labs cash passed through Squirrels LLC in a
14 significant amount during this early period. Did any
15 cryptocurrency pass through Squirrels LLC at any point?

16 A Squirrels LLC didn't hold any cryptocurrency
17 in its own business and so I would definitively answer
18 no. It is possible that there were cryptocurrency
19 accounts that might have been registered to Squirrels
20 LLC. For the purpose of getting the accounts
21 registered, it's notoriously difficult to register
22 accounts to exchange cryptocurrency as a business,
23 especially as a brand-new business. So I don't know
24 that that was the case or not, but that well could have
25 been the case, but Squirrels LLC, itself never delved in

1 cryptocurrencies.

2 Q Has anyone from their work for Squirrels LLC,
3 officer, employee -- I'm sorry. Squirrels Research
4 Labs, LLC now work for Instantiation?

5 A Yes. Well, I would say no. I don't believe
6 they Instantiation itself has any employees, but the
7 stocking horse bidder did hire numerous employees as
8 they listed in the asset, the purchase agreement and
9 support agreement, their intention to.

10 Q Any officers?

11 A Yes. Both myself and Jessica Gritzan are
12 currently employed by Alignment Engine, Inc, which is
13 the parent company of Instantiation.

14 Q Oh, okay. Sorry, I didn't realize -- or if I
15 did, I had forgotten. So Alignment owns Instantiation?

16 A Yeah. It's not my business. I'm not
17 intimately familiar with the internal structure, but
18 that is my understanding as a lay man.

19 Q What is your salary right now at Alignment?

20 MR. MERKLIN: I'm going to object. What does
21 it have to do with the debtor?

22 MR. SISTO: I mean, we're looking at these
23 relationships and the closeness of these
24 relationships.

25 MR. MERKLIN: You can ask him anything about

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1 the circumstances under which he was hired, when it
2 occurred, any of that, but Instantiation isn't here,
3 their counsel isn't here. This is a 2004
4 examination of the debtor and its operations and
5 asking about the buyer when they're counsel's not
6 here, that's where I draw the line, Bryan. It's
7 beyond the scope of the 2004, but you can ask as
8 much background about before he was hired and when
9 he was hired.

10 MR. SISTO: I accept what you are stating. As
11 far as a salary, I'll withdraw that question. That
12 really -- you know, and you can object, but to the
13 extent that the nature of these relationships are
14 important, as the person who is an officer of
15 Squirrels Research Labs, his knowledge of folks who
16 may work for these other businesses, even if that's
17 himself is relevant.

18 MR. MERKLIN: You can ask about the
19 circumstances, but there are questions that go
20 beyond the scope of the 2004 and I'll object on a
21 question-by- question basis.

22 MR. SISTO: Thank you.

23 BY MR. SISTO:

24 Q You don't need to answer the question about
25 your salary, sir. Thank you. When did you first become

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1 employed by Aligned?

2 A About a week and a half ago.

3 Q Do you know when Jessica Gritzan became
4 employed by Aligned?

5 A Sometime in January, I believe.

6 Q Did she, at any point, have a dual role at
7 both businesses or was she out of Squirrels Research
8 Labs before she started Instantiation?

9 A All employees were terminated from Squirrels
10 Research Labs in August. Well, let me clarify. They
11 were effectively terminated in August. For
12 administrative reasons, they couldn't be legally
13 terminated until the 401K items were resolved, including
14 myself and Ms. Gritzan was actually never an employee
15 paid W-2 from Squirrels Research Labs. So yes, she was
16 not working for Squirrels Research Labs concurrently
17 with her employment at Alignment.

18 Q And you -- neither you or Ms. Gritzan is an
19 officer Alignment. You're both regular W-2 employees.
20 Is that right?

21 A Correct.

22 Q The next exhibit will be Exhibit 25, as shared
23 prior to the 2004 exam. This is the profit and loss
24 statement by month for 2019. Mr. Stanfill is the
25 document that I described -- I'm scrolling through it,

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1 kind of trying to do that slowly while letting you see
2 generally what this. Is this the document which I
3 described as the profit and loss statement for Squirrels
4 Research Labs for 2019 on a month-to-month basis?

5 (EXHIBIT 25 MARKED FOR IDENTIFICATION)

6 A Yes. It appears to be Squirrels Research
7 Labs, LLC, P&L for January through December 2019, broken
8 out month by month.

9 Q Let me -- I'm going to back up briefly. At
10 what point was Squirrels Research Labs separated from
11 Squirrels LLC?

12 MR. MERKLIN: Objection. Go ahead and answer.

13 A They were always separate entities. If you
14 want to rephrase the question, I might be able to give
15 you an answer.

16 Q I mean, I guess I'm asking not as a legal
17 term, but as the term that it's reflected in the press
18 release that was issued by the businesses. It's still
19 available in the Squirrels LLC website saying, you know,
20 that the businesses were separating. I believe you left
21 your officer role at Squirrels LLC, you know, personally
22 to become an officer at Squirrels Research Labs and some
23 of the folks -- it was kind of announced that they
24 remained at Squirrels LLC instead of going over to
25 Squirrels Research Labs and discussed, you know, a

1 divestiture of the -- that's probably the wrong word to
2 use. You know, a separation of the resource sharing
3 that had been occurring, things like that. When did
4 that occur?

5 A Squirrels LLC divested its interest in
6 Squirrels Research Labs and in part and parcel with
7 that, the resource sharing was eliminated, or at least
8 at that moment, significantly reduced. The decision
9 occurred in February. I think it might not have been
10 announced until March of 2019.

11 Q And why was that decision made?

12 A My business partners in Squirrels LLC were
13 basically unhappy with the fact that all of my time was
14 spent on Squirrels Research Labs, and I still held the
15 CEO role at Squirrels LLC. You know, basically there
16 was a power struggle and the resolution was I take my
17 toys and go one way and they take their toys and go the
18 other way.

19 Q Fair enough. And at that time, Squirrels LLC
20 owed a portion of Squirrels Research Labs, correct?

21 A Yes.

22 Q Is that when -- is that the point that
23 Squirrels LLC sold a portion of Squirrels Research Labs?

24 A Yes. As part of that executive argument, you
25 know, one of the points of the argument was that the

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1 other partners of Squirrels LLC had not done anything to
2 support Squirrels Research Labs's efforts. Meanwhile,
3 Ms. Gritzan, who was not an owner of Squirrels LLC, had
4 devoted tremendous hours, neither as a W-2 employee or
5 owner. And as part of all of the decisions separating
6 the power and control of the entities, it was determined
7 that Squirrels LLC would seed its stake and give that
8 stake to Jessica Gritzan directly.

9 Q So Jessica Gritzan took over 100 percent of
10 what Squirrels LLC had previously owned of Squirrels
11 Research Labs?

12 A Yes. She was effectively provided that as
13 compensation for all of the efforts she'd put in on
14 Squirrels Research Labs to-date.

15 Q So she didn't pay anything for it?

16 A Not directly, no.

17 Q When you say -- was it done as a good faith?
18 Look, Jessica, we know you've worked very hard and this
19 is a fair deal, or was it tied to any actual measurable
20 number?

21 A It was done just as compensation for all of
22 her work over the past year and a half on Squirrels
23 Research Labs that wasn't otherwise compensated. There
24 was not a number attributed to it in terms of value at
25 the time.

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1 Q Let's turn to the exhibit that we've been
2 looking up and not talking about here, the 2019 profit
3 and loss statement. We see here -- I'm looking at the
4 March 2019 column. I'm sealing that out because in all
5 other months, and I'm looking at the total cost of goods
6 sold row toward the bottom of the screen. It varies
7 between \$100,000 to \$800,000. There's one month that's
8 just under a million dollars in all the other months,
9 but in March 2019, it was 4.6 million, which is a
10 significant difference from all other months. Do you
11 remember what was happening at that time that there was
12 a change in the way that there was a significant
13 purchase of product that wasn't occurring otherwise?

14 A Yes. And this again is reflective of the --
15 whether it's correct accrual accounting or not. I'm not
16 an accountant, I can't say, but the accrual basis of the
17 way that this is clearly accounted and shown here. In
18 March of 2019, we had had discussions with Avnet. In
19 those discussions, they acknowledged that, you know, we
20 had sold and moved a significant amount of inventory
21 from startup to go in the past basically nine months
22 since formation in the electronics production and
23 component distribution industry. It's not common to
24 create a new -- or to have a new customer. Right? Your
25 demand to drive sales, you try to get a few more percent

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1 sales from existing businesses. So Avnet for its part,
2 you know, they're going to lean hard, or they will lean
3 hard into demand creation. And so there was a next
4 generation chip that became the foundational chip of our
5 forest kitten products that was going to ship later that
6 summer. The nature of especially new run silicon is you
7 have to order it several months ahead of time. And so
8 Avnet extended some significant terms to allow us to
9 order a significant quantity of that hardware, basically
10 because they believed that we were going to be able to
11 turn around and sell that hardware for large profit and
12 grow into a very large customer.

13 Q So the -- that 4 million in March of 2019
14 represents a large purchase of product from Avnet?

15 A Yes.

16 Q And those were -- that was product that was
17 yet to be sold to an end customer?

18 A Correct.

19 Q And some of your purchases from Avnet were
20 made with an end customer already set up; is that right?

21 A Yes. In 2018, we were selling product where
22 Avnet and its upstream suppliers were basically building
23 the whole product and shipping it to us complete. And
24 so, you know, we were comfortable selling those products
25 on a kind of pass-through basis as the retail to the

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1 wholesale channel or the manufacturer. The products
2 that we were developing after that and the goal of
3 Squirrels Research Labs were products that we needed to
4 physically assemble, build, test, and verify. And so we
5 were less likely -- you know, we certainly weren't going
6 to take upfront orders months ahead of time for that
7 product. We would wait until it was -- they were closer
8 to production completion before we would begin taking
9 pre-orders or making shipments. So Avnet provided the
10 backing credit facility to allow us to do this.

11 Q And how would you characterize the financial
12 health of Squirrels Research Labs at the time that that
13 deal was made?

14 A I'm not an accountant, but I would say it was
15 stable, but not wildly profitable yet. You know, it was
16 a brand-new business. Most businesses don't turn a
17 profit for a couple years.

18 Q Is this the -- I know -- I'm not asking you to
19 characterize the lien. As I'm sure you're aware,
20 there's some debate about exactly what the lien covered.
21 So when I say -- when I refer the lien, again, if you
22 want to caveat it once to put it on the record, but I'm
23 not -- we don't need to go through the dance of both of
24 us describing what we think the lien covers every time
25 we mention it. But is this the same time that Avnet was

1 granted -- let's just say on a substantial -- at a
2 minimum, a substantial portion of assets of Squirrels
3 Research Labs.

4 A Yes. I viewed this as Avnet's effectively
5 investing in Squirrels Research Labs as a business
6 through the mechanisms they had available to them, which
7 was to, you know, take a significant security interest.
8 We'll just call it a significant security interest. I,
9 for the record, had all the way until your initial
10 filing, had never, ever had a time where I didn't
11 believe it was a blanket lien. So irrespective of what
12 the legal determination of that is, I had always
13 operated as if it was a blanket lien and had been
14 without disclosing client privilege -- so basically just
15 say I had received professional advice to support that
16 along the way. So that's all I'm going to say on the
17 lien. That's on the record. Yeah. So they took a
18 substantial security interest, provided a substantial
19 forward credit line to allow us to get product in
20 pipeline. You know, they basically were stocking our
21 convenience store.

22 Q And so -- and I should have asked this
23 question earlier to clarify. You did not actually pay.
24 Or you, meaning Squirrels Research Labs did not actually
25 pay Avnet for that 4 million some dollars of goods that

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1 you purchased? Or you --

2 A Not at that time in March 2019.

3 Q Did you pay a portion of it?

4 A There was -- without the records in front of
5 me, I can't say definitively, but I am -- I do believe
6 that we paid some portion of it. It would've been not
7 significant relative to the total amount.

8 Q Did you owe Avnet -- you, meaning Squirrels
9 Research Labs. Were you indebted to Avnet prior to this
10 March 29 transaction, the lien and the infusion of stock
11 for yourselves?

12 A We had -- yeah, we had open accounts payable
13 balances that were within their agreed terms.

14 Q So we look at the far-right column. This is
15 the -- I won't scroll back up, but I think you know that
16 we both recognize it's the total column, cost of goods,
17 gross profit for 2019 of negative 4.5 million. Is that
18 what the document shows?

19 A Yes. That looks correct on the accrual basis.

20 Q As you testified earlier, that's not abnormal
21 for a new company.

22 A It's not abnormal for a new company. And I
23 think the accrual basis is masking a lot of the fact
24 that there's long term forward orders baked in there.

25 Q Please -- you please -- you know, I appreciate

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1 your clarification on that if you'd like to expound on
2 it.

3 A Sure. I mean, in some cases you may need to
4 place orders, especially for cutting edge silicon as far
5 as 12 months ahead of time. So you're going to have a
6 book obligation out there, despite being nowhere close
7 to either taking delivery or, you know, making sales.

8 Q That method would also consider a payment that
9 hasn't actually been realized? That's part of the
10 accounting. Is that right?

11 A Correct. Although in general, we didn't
12 extend net payment terms to customers.

13 Q And the net income for 2019, now we're looking
14 at the very bottom of the document, negative 6.7
15 million. Is that correct?

16 A If you would scroll down a little bit more
17 into few, we have a little Zoom meeting bubble.

18 Q I didn't realize that. Thank you for
19 correcting.

20 A No problem. Yes. So yeah, negative 6.7
21 million looks like that includes inventory write-downs
22 at about 1.2 million.

23 Q Describe that to me since you pointed it out.

24 A That would be -- the significant challenge
25 that Squirrels Research Labs faced in 2018 is that its

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1 upstream vendor committed delivery of a substantial
2 amount of hardware in August of 2018. That hardware was
3 not ultimately -- you know, last boxes arriving until
4 December 2018. That hardware, as is common in the
5 electronics world, the value of that hardware for which
6 we had issued a lot of refunds diminished significantly
7 in that time. And we ultimately had to sell some of
8 that refunded hardware at a write-down in the beginning
9 of 2019.

10 Q As we looked at with the 2018 statement and in
11 the bank records, obviously there was a significant
12 amount of debt to Avnet right at the inception of
13 Squirrel -- at the formation of Squirrels Research Labs.
14 Is that accurate?

15 A Yes, effectively on an accrual basis.

16 Q Was there ever a point in time until the
17 bankruptcy case was filed that -- including now, given
18 the size of Avnet's claim in the bankruptcy case that
19 there was not debt to Avnet?

20 A No. I mean, just as our major vendor, we
21 would've always had some open accounts payable to them
22 at all times in just the ordinary course of business.

23 Q Can you guys still -- I just got like a blip
24 on my computer. Can you still hear me?

25 A Yep. Yes.

1 Q Okay. The next exhibit will be Exhibit 26.
2 It's the profit and loss statement by month for the year
3 of 2020. Mr. Stanfill, is this -- the document you're
4 seeing is the document that I previously identified as
5 the Squirrels Research Labs profit and loss statement by
6 month for the year of 2020?

7 (EXHIBIT 26 MARKED FOR IDENTIFICATION)

8 A Yes.

9 Q This year, 2020, was -- it looks like the
10 first year that Squirrels Research Labs turned a profit.
11 Is that correct?

12 A Yes, I believe that's correct.

13 Q Can you describe what was going on? How the
14 business conditions had changed, or what was going
15 positively for the business at that time?

16 A Yes. I'll try to be brief. I think in
17 general, in the beginning portion of the business, there
18 was a lot of both supply chain and market price finding.
19 There were a lot of conditions early on where we were
20 purchasing underlying costs of goods at some fairly
21 premium prices only to have our upstream vendor lower
22 those prices before we could sell them through to
23 customers. And then, you know, likewise, finding the
24 price points that were reciprocated or resonated with
25 the customer based in the market. That was a

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1 significant part of it. I think by 2020, we had gotten
2 a lot more aggressive with our supply chain on
3 underlying cost of goods sold and had gotten better
4 market positioning with the customer base.

5 In addition, I believe 2020 had some portion
6 of other income bolstered by the crypto mining revenue,
7 which was from hardware that we had in operation that
8 would be -- you know, maybe is later to be sold. Or we
9 did a couple of deals that looked more like profit
10 sharing partnerships with customers who were purchasing
11 hardware, started making some more unique structuring of
12 sales to give us more access to upside potential on a
13 long tail. And so those -- the crypto mining revenue
14 that came from those profit shares as well as hardware
15 that was being constructed and held in inventory and
16 operated in inventory bolstered that bottom line and
17 brought up the profitability.

18 Q Consistent with what you've just said, I
19 think, I mean, I'm just looking at the numbers. Crypto
20 mining revenue is about a third of the way, a quarter of
21 the way down the page. Looks like 1.1 million, 1.14
22 million for that year. And looking at the other income,
23 and -- which, I mean, it's fair to say that that
24 represents the vast majority of -- that's why -- let me
25 characterize it differently, because obviously there

1 were other sources of income. But the net income for
2 the year is 1.3 million. So that 1.1 million from the
3 crypto mining was a big reason why you were -- you,
4 being Squirrels Research Labs was most success -- had
5 the most successful year in 2020.

6 A Yes. We figured out that by selling product
7 at less markup to partners who were willing to split the
8 profits of operating that product we could get much
9 better margins than we could get up front.

10 Q Is some of that due at all to the fact that
11 the cryptocurrency market improved significantly that
12 year?

13 A I mean, this -- since our primary sales were
14 to the cryptocurrency market, that naturally has an
15 effect of improving all of the prospects of the
16 business.

17 Q And some of the losses that we've discussed in
18 2018 were that was not a good year for the -- I am
19 getting -- correct me. I'm sure you know more about
20 this than I do, but I read enough headlines to know that
21 2018 was a bad year and 2020 was a good year, generally
22 for the value of these digital currencies. Certainly,
23 as you just said, that certainly has an impact on your
24 business each way, right?

25 A Yes. And as we mentioned in reviewing the

1 2018 P and L, the write-down on hardware, that's
2 significantly influenced by the fact that the market
3 went down, and thus the value of hardware that
4 participates in that market dropped off rather quickly.

5 Q Folks are willing to spend more money to mine
6 when values are high, right?

7 A Yes.

8 Q Did you -- back in 2018 during that initial
9 phase where there was the slow shipment and some folks
10 requested a refund, did you -- and I'm asking a question
11 personally, but I think it's something that the officer
12 of Squirrels Research Labs would clearly you have
13 knowledge of. Did you, David Stanfill, personally
14 refund anyone from your personal funds?

15 A I would phrase that specifically. There were
16 instances where I refunded people by way of purchasing
17 their orders off of them.

18 Q Explain to me how that works.

19 A There were -- there's at least one instance
20 that I explicitly recall where, you know, somebody had a
21 sob story and they got themselves in over their head,
22 and the company itself couldn't refund them, or they
23 weren't eligible for a refund. And I just paid them
24 personally and just took over their order for that
25 hardware. And I don't think I even ever took delivery

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1 of it. I just left it in the company.

2 Q Do you have any idea what amounts we're
3 talking about?

4 A In 2018, refunds that I would've -- so I'll
5 clarify two points. One, there were refunds where I
6 paid cryptocurrency refunds and then got reimbursed from
7 the company. Those might have been in the tens of
8 thousands of dollars. The refund, the situation that
9 I'm talking about would've only been a few thousand
10 dollars.

11 Q So, okay. So if it was significant, as in
12 five figures, you would've been refunded by Squirrels
13 Research Labs for having covered that refund once
14 Squirrels Research Labs had the capital to do that? But
15 if it was a small amount, meaning maybe four -- not
16 small, but you would kind of forgive those yourself?

17 MR. MERKLIN: Objection.

18 A Generally, this is true. There's -- I was
19 regularly willing to try to help out any of our
20 customers that I could personally.

21 MR. SISTO: I'm having a small tech issue with
22 display. I was lining up for the next exhibit. So
23 bear with me for a couple minutes while I get that
24 resolved. How about can we just take a -- we can
25 take a five- minute break if anyone needs to.

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1 MR. MERKLIN: Sure. Yeah. Let's take a
2 five-minute bio break here.

3 MR. SISTO: Okay, great.

4 (OFF THE RECORD)

5 COURT REPORTER: Okay. We're back on record.

6 BY MR. SISTO:

7 Q Mr. Stanfill, I know you described it a little
8 before and I know you talked about it a little bit
9 before our meeting, but I just want to get, again, when
10 you were using your discord as GPU hoarder, was that --
11 you were representing Squirrels Research Labs, or prior
12 to that, Squirrels LLC. You did business on your
13 discord. Is that a fair characterization?

14 A I don't believe I ever represented Squirrels
15 LLC on the discord. It wouldn't have any customers or
16 business relations there. I used the GPU hoarder
17 account to participate in numerous discussion boards and
18 chats, both personally and professionally. I would
19 agree that it was generally known that I could speak on
20 behalf of Squirrels Research Labs in the F-P-G-A
21 oriented discords.

22 Q Was -- I'm just -- I'm trying to do a couple
23 follow up questions. I know you talked about how there
24 was an ownership kind of struggle or disagreement with
25 your business partners about the direction of two

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1 Squirrels into being Squirrels LLC and Squirrels
2 Research Labs. So there was no plan from the beginning
3 to separate the businesses. Is that right?

4 MR. MERKLIN: Objection.

5 A I don't know whether there was a plan. There
6 was always a plan that Squirrels Research Labs could be
7 separated because it could, you know, need other
8 investors or go in a different direction. And I would
9 clarify the management dispute had less to do with the
10 directions of the companies and more to do with the
11 personal time involvement or lack of time involvement on
12 my behalf within the Squirrels LLC business.

13 Q Okay. So you're -- the business part, your
14 business partners were (Inaudible) you're going to spend
15 so much time on Squirrels Research Labs, why are -- why
16 do you have such a stake in Squirrels LLC? Kind of.

17 A Correct.

18 Q Okay. I'm going to go back to the exhibit
19 that we had open before. It's exhibit 14 on the record.
20 This is the reconciliation report of the Squirrels
21 Research Labs checking account. And we -- I think we
22 went through up to August 2018 prior. And obviously you
23 testified about why, early on there were a lot of
24 payments being made to Squirrels LLC to pay them back
25 for hardware that they had received, or just to kind of

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1 get the accounting straight after, because Squirrels
2 Research Labs didn't have its own checking account until
3 July.

4 I'm going down. So we're still seeing here in
5 August -- I'm on the August portion of the ledger. Some
6 pretty significant payments to Squirrels LLC, 384,000,
7 236,000. Apologies if we looked at this page prior, but
8 is this still for the same type of reason going into
9 August?

10 A Yeah. Squirrels LLC was procuring product,
11 components, more specifically at this time for Squirrels
12 Research Labs. And Squirrels Research Labs is paying
13 them back for components that Squirrels LLC procured for
14 them.

15 Q We see here occasional your name, you know,
16 David Stanfill, Jessica Gritzan also appears at various
17 points in time. I assume that these would not have been
18 part of your ordinary compensation. Or is that what
19 we're seeing when we're seeing you as the payee?

20 A No, these -- anytime you're seeing anyone
21 individually as a payee, it's some variety of expense
22 reimbursement.

23 Q And the vast majority of the deposits, or all
24 of the deposits at this point, meaning what we're
25 talking about is August 2018 and after are customer

1 funds being taken in.

2 A Yes, these would all be orders of some
3 variety. Or vendor refunds or something like that.

4 Q Were there -- were all the capital
5 contributions made initially, or were they made over
6 time?

7 A In terms of true capital contributions, they
8 were all made initially.

9 Q So we're not -- the deposit statements don't
10 have the payer on them, which is ordinary. I mean, they
11 wouldn't. But those are not -- those are -- those
12 wouldn't be reflecting any contribution by any of the
13 owners at that point. And right now we're looking at
14 September 2018.

15 A Yeah. Not in September 2018. I think there
16 were only two times -- or two parties who are owners who
17 ever made actual -- not capital contributions, but
18 actual transfers into the company after the initial
19 formation. And those would've been myself or David
20 Jimenez.

21 Q Can you describe those for me, please?

22 A Yeah, those would be temporary loans made to
23 the company that occurred, whether it was, you know,
24 some certain bill that was due and didn't line up with
25 the cash flow or ensuring that a salary payroll run

1 could process in time for the first of the month or
2 something like that. There are not frequent, but there
3 are a couple instances where I would provide capital a
4 few days in advance, just for cash flow reasons.

5 Q Were you always repaid for that?

6 A Generally, yes. I had expense reimbursements,
7 which I returned that as an expense reimbursement or a
8 loan payback on a semi-regular basis throughout the
9 operation of the company. It wasn't uncommon for me to
10 purchase something and then get it reimbursed or
11 something like that.

12 Q We're seeing -- now I'm on the August -- or
13 no, sorry, the October 2018 portion of this check
14 register. And here about the middle of the page, we see
15 there are still payments going out to Squirrels LLC. And
16 this time, it's smaller than they were before, about
17 \$120,000 in these for labeled bill pay payment. Do you
18 know at this point why Squirrels LLC was still
19 collecting these kind of funds from Squirrels Research
20 Labs?

21 A So that would've been probably the last
22 straggling shipment of long lead time orders that were
23 paid on delivery that started to finally ship in from a
24 vendor -- another vendor? I know that at least from one
25 of those I'm familiar with was -- I'm pretty confident

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1 Mouser, who's an electronics components vendor. We
2 ordered something in September for Squirrels Research
3 Labs from Squirrels LLC. And it finally shipped in
4 October.

5 Q Who is Digital Egg Investments?

6 A That was a customer who had placed an order
7 and then threatened a lawsuit and demanded a refund.

8 Q And that 291,000 reflects the refund they got?

9 A Yes.

10 Q And just for the record, I was still looking
11 at the October 2018 part of the ledger here. We're now
12 looking at the same document, but at the April 2019
13 portion of the document. There are -- I'm going to
14 hover my cursor above them. 1, 2, 3, 4, 5 payments made
15 to Squirrels LLC in April 2019 totaling approximately
16 \$30,000, maybe actually about \$40,000. Do you see what
17 I'm referring to?

18 A Yes.

19 Q Why was Squirrels LLC collecting from
20 Squirrels Research Labs in April of 2019?

21 A So at that point there was -- and there exists
22 to this day in the bankruptcy Squirrels LLC had
23 outstanding invoices to Squirrels Research Labs of a few
24 hundred thousand dollars that was never paid by
25 Squirrels Research Labs to Squirrels LLC. After

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1 separating the companies, part of the agreement was that
2 Squirrels Research Labs would begin paying those back.
3 In addition, there were a very small number of resources
4 that continued to be shared, which was technical
5 resources, common account hosted software and encode
6 repository services, software services. There was a
7 couple resources that were more cost effective to be
8 sharing between the two companies than each company
9 having their own. And it wasn't significant, but we
10 continued to pay for those.

11 Q Why did Squirrels Research Labs pay for those?

12 A Squirrels LLC had the primary accounts on
13 those services, the Bitbucket account, the Microsoft
14 Office e-mail hosting services, et cetera. And so
15 Squirrels Research Labs reimbursed those. So Squirrels
16 LLC would have, and I presume would be able to produce
17 the invoices corresponding to these transactions.

18 Q There is a large claim in the bankruptcy case
19 filed by a Michael Maranda.

20 A Yes.

21 Q Are you familiar with that?

22 A Yes.

23 Q Can you, as the president of the company,
24 explain what happened to Brad to that -- I assume it's
25 an alleged claim at this point.

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1 MR. MERKLIN: Just so I can clarify, Bryan, are
2 you asking him to explain what he understands the
3 claim to be or what he understands the company's
4 position on the claim is?

5 MR. SISTO: Sure, I will -- yeah. Thank you
6 for clarifying, Marc.

7 BY MR. SISTO:

8 Q We're interested in what the company's
9 position on the claim is, I guess, to the extent that
10 you can provide a specific legal advice on that. You
11 know, you don't have to share that, but I think you
12 probably have enough background knowledge about the
13 situation in your role as a businessperson to share
14 what's going on with that, to some extent.

15 A With full reservation of rights on behalf of
16 the company, to not admitting or denying anything
17 regarding the claim, the general position is that it's
18 bogus and a blatant cash grab.

19 Q And can you provide just -- you don't have to
20 go into detail, but kind of a brief background about
21 what happened with Mr. Maranda.

22 A Yeah. So Michael Maranda was introduced to me
23 in March of 2021. We were attempting to put together a
24 minimum order quantity as part of a deal with Avnet to
25 partially reduce their debt, stemming from conversations

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1 that had been had for the FDLA acquisition. We were
2 attempting to rescue some parts of those negotiations
3 that we had had with Avnet. We didn't quite have the
4 full minimum order quantity together. And a colleague
5 of mine introduced me to Michael Maranda and said that
6 he might be interested in purchasing some hardware. We
7 got on the phone. I was traveling at the time, so I was
8 out of the country. We got on the phone and negotiated
9 it, and he agreed to purchase a certain amount of
10 hardware.

11 We executed that transaction with a purchase
12 agreement that had some various terms in it. I was
13 warned at the time that he was a pretty aggressive
14 negotiator, and that also he had a habit of putting
15 sticky language in contracts and then trying leveraged
16 that language to his advantage later. So I was a little
17 bit wary of the transaction. But we got an agreement in
18 place.

19 Shortly thereafter, he made another purchase.
20 He was asking if there was more hardware available, made
21 another purchase. We followed through on that. And
22 then he kind of rapid fire began trying to purchase more
23 and more hardware, negotiate better and better deals.
24 Initially through normal processes, where he was, you
25 know, coming to us, "Can we sell more hardware? What

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1 price? Quote," et cetera. And then ultimately, I think
2 because he began realizing he could resell this hardware
3 to other people at a markup, that's speculation on my
4 behalf, he started just, you know, having third party
5 customers he was acting as a channel partner for, send
6 money directly to Squirrels Research Labs, and then
7 retroactively telling us how many units it was for, and
8 what the price was, negotiating a price on new orders
9 and trying to apply it to old orders, writing sales
10 orders himself on behalf of the company, which I had
11 acknowledged that he had asked if he could give them a
12 sales order. I had not acknowledged that he was going
13 to give them a whole bunch of terms, such as rights for
14 us to buy back the hardware from them in the future at
15 fixed price, and all kinds of terms that were not agreed
16 with the company.

17 Just kind of started operating really rapid
18 fire, really quickly, moving significant amounts of
19 order flow to the company, which the company, you know,
20 wasn't looking to not have the order flow. It would've
21 preferred a more orderly process but was being a little
22 bit accommodating in order to get the order flow here in
23 April, May 2021. We continued to source suppliers for
24 underlying FPGA chips, placed orders, got things in. And
25 then right around the end of May, early June, some of

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1 our supply chain came back to us and told us things that
2 they had promised, promised, promised were on the shelf,
3 and we would be delivered in May, they were only going
4 to be able to deliver a fraction of it in June. And the
5 rest of it, they didn't even know when they could
6 deliver, but it wouldn't be until like December, maybe
7 January of 2022.

8 Q But David, I appreciate your explanation. And
9 on this particular issue, I'm not going to ask you about
10 your legal strategy, but suffice is to say, best of luck
11 for all everyone on this call, with whatever you need to
12 do on that one. I appreciate some the background, for
13 sure.

14 A Yeah. I'll throw the succinct summary that we
15 believe that we acted in full good faith to fulfill all
16 the orders we were given. The supply chain stall led to
17 the fact that we could not fulfill all those orders
18 timely. Ultimately, Mr. Maranda elected to sell all of
19 his orders as they stood to Instantiations for a price
20 higher than he actually even paid for the orders to
21 begin with. The position is that he got all his money
22 back and more. And I see no basis for -- whether he has
23 any claim at all, I won't opine on in this 2004, but I
24 do not see any basis for anywhere near the magnitude of
25 claim, if any, that he has.

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1 Q So he sold this Instantiations purchase
2 hardware from Mr. Maranda directly?

3 A Yes. And so Mr. Maranda, upon the company
4 starting to go towards a bankruptcy situation and it
5 becoming clear that his orders were not all going to be
6 filled timely, you know, made threats against my life,
7 amongst other things. I introduced him to Sam Cassatt,
8 and said, "Look, he might buy your hardware off of you."
9 Sam, in fact, did. I wasn't party to those
10 negotiations, but I guess Sam did in fact buy all his
11 orders into Instantiations, as they sat and resolved his
12 crisis of the moment.

13 Q The other -- obviously, my client has quite a
14 large claim, but the other huge claim that's been filed
15 is by Fleur de Lis Development. And again, I don't want
16 the whole, you know, story or anything that would be
17 privileged. Just briefly, this appears and correct me
18 if my characterization is wrong, but I mean, it is
19 basically a counterclaim. Both sides are saying this
20 deal went bad and blaming one another for it. If that's
21 -- I really don't want you to provide a whole time to
22 detail or to take a position in that respect. Just, I
23 mean, is that a fair characterization that each side
24 thinks they're owed money based on the way that the deal
25 broke down?

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1 A Yes, as debtor representative, my view of that
2 claim is it is a defensive counterclaim.

3 Q In other words, filed to generate leverage
4 against the position. Because I mean, I believe the
5 case has actually been removed into the bankruptcy court
6 now, where Squirrels (Inaudible) --

7 A That's correct. That's correct, Bryan. The
8 lawsuit that was initiated by Squirrels Research Labs
9 against Fleur De Lis has been removed to the bankruptcy
10 court and is pending.

11 Q I don't have much more. I didn't completely
12 resolve the tech issue that I discussed earlier, so
13 forgive me for taking a short break. And I think we'll
14 be done fairly early thereafter. Thank you.

15 MR. MERKLIN: How long you want, Bryan?

16 (OFF THE RECORD)

17 COURT REPORTER: All right. We're back on
18 record.

19 BY MR. SISTO:

20 Q I mean, basically what we were produced, you
21 know, we, meaning myself and Carl, and myself as his
22 attorney, this account ending in 6063. There are some
23 other small accounts, and I'm going to ask you a couple
24 questions about them. But that was the only account
25 that moved significant funds for Squirrels Research

1 Labs. And by significant, I mean, you know, more than a
2 million dollars. Is that -- there's nothing missing
3 here, is what I'm asking you?

4 A Yes. That's other than transactions that
5 occurred in entirely in the Squirrels LLC account, at
6 the very beginning, in and out to a vendor. All other
7 substantial transactions of any nature went through the
8 6063 account. There was at least one account that was
9 created because of the paycheck protection program. It
10 was created with the bank that provided the paycheck
11 protection loan. That's the only other account I'm
12 actually even aware of.

13 Q So there's the -- I do want to -- I'll show
14 this exhibit. It's exhibit 40, and this is -- the
15 account number is redacted as it should be. It ends in
16 1770. This is from November of 2019. And it looks like
17 there's deposits from Italy, Germany, France.

18 (EXHIBIT 40 MARKED FOR IDENTIFICATION)

19 A Yes. I forgot about this account. It was
20 common operating procedure for us to have a separate
21 bank account that we used for inbound wires, just, you
22 know, to not have the main bank account number
23 circulated. I'd forgotten about this account. So the
24 1770 account would have been the account into which
25 inbound wire transfers, particularly international wire

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1 transfers were transferred into. And then they would be
2 moved into the 6063 account internally, to conceal that
3 full account number.

4 Q This account looks like it was only open for
5 two months. And I mean, there weren't any other of
6 these wire accounts produced. So was this just
7 something you did for two months in 2019?

8 A I would've expected that wire account
9 persisted all the way through the filing. I wasn't
10 handling accounts receivable and the bank accounts
11 directly, so I'd have to check on that. And obviously
12 those accounts are all closed now, so I can't see them
13 if I log-in. I would refer to the schedules because if
14 that account was in use, we would've scheduled it.

15 Q Okay. And there's transactions like with
16 Coinbase on here. Why would you be receiving a wire
17 deposit from Coinbase?

18 A So if anybody paid us in cryptocurrencies and
19 the Coinbase exchange was used to convert that to US
20 dollars, that payout would've transacted into the wire
21 account generally.

22 Q Okay. We don't -- as you said, it appears
23 that most of these transactions are going back out to
24 the 6063 account. There are a handful of transactions
25 that went to you personally, it appears, here at the

1 end. Do you know why this account would've been handled
2 differently, or what's going on with that?

3 A Those would've been reimbursements. Why they
4 were done out of that account, my guess, because those
5 look like QuickPay payments. So probably they just
6 grabbed the wrong account on accident when they were
7 paying it. QuickPay is like Chase.

8 Q Sure.

9 A Person to person, if you're not familiar with
10 it. And so for small reimbursements, sometimes QuickPay
11 was used to reimburse people.

12 Q So you're not sure why this account would've
13 been -- I mean --

14 A Yeah. I'm not sure why those QuickPays
15 would've originated directly from the wire account.

16 Q Okay. This account was open for two, three
17 months, two months, November 2019 to December. So as
18 you can see, there's a zero balance there at the end. I
19 should have asked you if what I described initially
20 matched what you were seeing on the screen, as far as
21 the last four digits and that this was a Squirrels
22 Research Labs account?

23 A I would suggest that you request to ensure
24 that there are not statements for this account in the
25 future, and you were just provided only a partial set of

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1 statements, because I don't believe that there was a
2 scenario where the wire account was only used for three
3 months. I believe it was used for the whole operation.

4 Q So it was just a coincidence that it was a
5 zero balance at the end of this one?

6 A Yeah. Because nothing was ever held in it. As
7 things came in, they were moved to the 6063 account. So
8 it wouldn't be uncommon for it to have zero balances
9 often enough, that it would catch a month end or
10 statement end period.

11 Q Sorry, I'm jumping around as we're kind of
12 cleaning up here -- things. So when Avnet, this is when
13 the company started, and you ordered the chips, you
14 being Squirrels Research Labs, the Xilinx chips, and it
15 was done through Avnet. And then there was the slow
16 shipment initially. And you refunded some, but not all
17 of the folks who purchased chips. And I'm only doing
18 the narrative to reorient us, because I jumped around on
19 a topic. But did Squirrels Research Labs ask Xilinx or
20 Avnet for any refunds of what you had paid them for
21 their delays?

22 A It did.

23 Q Did it receive a refund?

24 A It did not.

25 Q Squirrels Research Labs was refunded nothing

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1 from Avnet or Xilinx?

2 A Correct.

3 Q Was there a dispute over that?

4 A Yes. And without disclosing privileged
5 attorney client information, it wasn't something that we
6 pursued based on the likelihood of success.

7 Q Okay. I, and I know that some of this was
8 covered prior, but I, and I'm not going to ask you
9 questions that I think, I think that they're going to
10 stick to the, and you and Marc, can tell me if you think
11 they go outside those lines, but did twirls research
12 labs request a refund from Avnet and/or Xilinx?

13 A Yes.

14 Q Do you remember when and which of those two or
15 both, that the refund requests were made?

16 A I recall explicitly requesting at least a \$2
17 million credit from Xilinx directly. The timeframe was
18 likely October or November. It could have been anywhere
19 from September to November. I'd have to check my
20 records, but I believe October was when we made that
21 request.

22 Q Did you ever make a direct request of Avnet?

23 A Avnet was -- at the same time we made the
24 request to Xilinx, we would've directed a request to
25 Avnet. They basically told us need to ask Xilinx.

1 Q You never did business directly with Xilinx
2 though, correct, it was always through Avnet?

3 A The way the industry works is a little bit
4 strange because basically if you start buying high
5 volumes from a company like Xilinx, you're dealing with
6 their sales reps and their team, but all of the actual
7 paperwork and ordering and everything has to flow
8 through the distributor of Avnet. So Avnet is not
9 selling you Xilinx chips. Xilinx is, and they're
10 saying, "Pay my buddy over here."

11 Q Did you, meaning Squirrels Research Labs, so
12 you were refused a refund, that you requested a refund
13 in the form of credit, is what you said, did you ever
14 receive all of the product that was paid for even if it
15 was late?

16 A Yes, we did ultimately receive the full
17 shipment, which was non-cancelable non-returnable by
18 nature.

19 Q And when did you receive the full shipment?

20 A The last boxes were received in, I believe,
21 December 2018. It could have been as late as January
22 2019.

23 Q And what -- well, were some of those chips
24 made it all the way through to what was sold to
25 Instantiations, or were all those eventually sold from

1 that batch at the end of 2018?

2 A To my knowledge Instantiations doesn't own and
3 never purchased any of that type of hardware, that was
4 part of that original sale.

5 Q Can you -- do you know what happened, were all
6 the chips just resold?

7 A Yes. Once the -- for example, when your
8 client refused shipment and ultimately we were left with
9 inventory sitting on the shelf, we ultimately resold
10 that.

11 Q But my client was not refunded for his
12 purchase after you resold the inventory. Is that right?

13 A No. I think, yeah, that would've gone to pay
14 the remaining open with Avnet.

15 Q So you were there paid twice, in essence for
16 certain stock?

17 A They were not paid twice.

18 MR. MERKLIN: Objection.

19 A I can't speak to the fungibility of funds, but
20 there were balances owed to Avnet that were paid with
21 the equipment that was sold at loss.

22 MR. SCHWIEG: Bryan?

23 MR. SISTO: Yes.

24 MR. SCHWIEG: I just want to let you know, I
25 have another appointment, so I'm going to be exiting

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1 the depo at this point, but it sounds like you're
2 getting close to the end.

3 MR. SISTO: Yeah, we'll be wrapped up here
4 shortly and I appreciate your time and everybody's
5 time.

6 MR. SCHWIEG: Sure. Take care.

7 MR. SISTO: Yeah.

8 MR. SCHWIEG: Bye-bye.

9 BY MR. SISTO:

10 Q When -- in 2018, after Xilinx and Avnet, I
11 know you just described the relationship in better
12 details than that, but I'm going to use that as
13 shorthand for that, we're late in shipping this product
14 that you had promised customers, were those customers'
15 funds used to cover operating expenses of Squirrels
16 Research Labs in the intermediate time?

17 A I can't definitively answer that. That's the
18 accounting question, I suppose.

19 Q Well, were they put into an account from which
20 expenses were paid?

21 A Yes, they were not -- the funds were not
22 segregated in any way.

23 Q So operating expenses were paid from that
24 account. We're talking about the 6036, whichever, I
25 might have the digits -- the main checking account,

1 correct?

2 A Yes.

3 Q And customer funds, including customers who
4 had not yet received their product or a rebate, were
5 (Inaudible)?

6 A Yes.

7 COURT REPORTER: Sorry. Mr. Sisto, I didn't
8 get the end of your last question.

9 MR. SISTO: I'll just ask it again for the
10 record.

11 BY MR. SISTO:

12 Q Customer funds -- for customers who had not
13 received either a rebate or had been shipped their
14 product, were also in that general operating account?

15 A Yes.

16 Q I just lost my train of thought when I had to
17 restate my question. Sorry. That was also this time
18 when Squirrels Research Labs was indebted to Avnet for
19 over \$10 million up to \$13 million, and had thus far
20 only collected 5 or \$6 million in receivables, is that
21 correct?

22 A Squirrels Research Labs never had an open
23 account balance at the time that it was \$10 million or
24 more. The order wasn't placed until the first 50
25 percent had been paid. So it could have been a max of

1 around \$6.6, \$6.7 million that was open on the order.

2 Q Okay. Did Squirrels Research Labs have a
3 credit card?

4 A Yes.

5 Q Just one card.

6 A I think it was just one master account. I
7 don't know if there were sub-cards or cards and other
8 names.

9 Q What was that account used for?

10 A General purchases, procurement, bill of
11 material items, tools, incremental operating expenses,
12 things of that nature.

13 MR. SISTO: Mr. Stanfill, I'm done. I think I
14 do want to say a couple things, on the record, as far
15 as I appreciate that you acknowledged that I was
16 going to be asking about it. I appreciate that you
17 acknowledged that there are still some documents
18 that we had discussed receiving that have not
19 actually been received, particularly during the time
20 that Squirrels LLC was holding Squirrels Research
21 Labs funding. And again, and this is for Marc, as
22 much as for you, but we still have not gotten that.
23 And we believe those are completely relevant, as it
24 was Squirrels Research Labs funds that were being
25 held.

1 MR. MERKLIN: Yeah, Bryan, as the witness
2 stated, we've requested those funds, but obviously I
3 don't represent Squirrels LLC. We don't control
4 Squirrels LLC. So, you know, obviously if they
5 respond to us and produce documents, we'll produce
6 them. If they don't, we'll let you know, and they
7 can be the subject of a subpoena.

8 MR. SISTO: Yes, I understand. We don't have
9 to argue legal positions on it. I guess it's hard
10 for me not to view that as anything other than both
11 of the company's records when based on the other
12 positions within the --

13 MR. MERKLIN: I don't think the --

14 MR. SISTO: That's fine.

15 MR. MERKLIN: I don't think the issue is
16 ownership of the records. The issue is who has
17 current possession and control of them. If we have
18 possession and control, we've either produced them
19 or we will produce them. If we don't have
20 possession and control, we'll let you know. I don't
21 want to create a problem that doesn't currently
22 exist. I don't think we anticipate they're going to
23 resist giving us the documents. If they do, we'll
24 let you know.

25 MR. SISTO: You know what, Marc? If we could

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1 have a brief conversation, maybe I think this
2 conversation will probably happen off the record.
3 And I think we've just had most of it, but it's
4 probably not something we need to discuss. So I
5 should allow you to ask any questions that you have.

6 MR. MERKLIN: No, I'm not going to ask any
7 questions of my own representative.

8 MR. SISTO: Okay.

9 COURT REPORTER: Okay. Mr. Sisto, how did you
10 want to order your transcript?

11 MR. SISTO: Condensed is fine.

12 COURT REPORTER: Okay. Mr. Merklin?

13 MR. MERKLIN: I don't currently want to order a
14 copy. I'll let you know if I need one.

15 COURT REPORTER: Okay. And then Mr. Stanfill,
16 you have the right to read the transcript, or you
17 can waive your signature, but if you read it, you
18 can change -- you can't change your testimony, but
19 like if you said, blue car and I put red car, you
20 could change that discrepancy. So would you like to
21 read or waive?

22 THE WITNESS: I --

23 MR. MERKLIN: I think you probably should look
24 at it.

25 THE WITNESS: Yeah. Yeah. I'll read it.

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1 COURT REPORTER: Okay. And then, so can I get
2 a good e-mail for you to send it to you?

3 THE WITNESS: Yeah. The best e-mail for me is
4 going to be David, D-A-V-I-D@D-A-S-factory,
5 F-A-C-T-O-R-Y.com.

6 COURT REPORTER: Okay. Then we will go off
7 record --

8 (DEPOSITION CONCLUDED AT 2:41 P.M.)
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1 CERTIFICATE OF REPORTER

2 STATE OF OHIO

3
4 I do hereby certify that the witness in the foregoing
5 transcript was taken on the date, and at the time and
6 place set out on the Title page hereof, by me after
7 first being duly sworn to testify the truth, the whole
8 truth, and nothing but the truth; and that the said
9 matter was recorded digitally by me and then reduced to
10 typewritten form under my direction, and constitutes a
11 true record of the transcript as taken, all to the best
12 of my skill and ability. I certify that I am not a
13 relative or employee of either counsel and that I am in
14 no way interested financially, directly or indirectly,
15 in this action.

16
17
18
19
20
21 
22 TAYLOR VENEMAN,

23 COURT REPORTER/NOTARY

24 MY COMMISSION EXPIRES: 10/20/2025

25 SUBMITTED ON: 05/13/2022

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